PERSI

Our Mission

To provide our members and their beneficiaries
with reliable, secure, long-term retirement,
survivor and disability benefits
as specified by law.

To assist our members in planning a secure retirement
by providing high-quality, friendly service,
retirement education and information.

The Member Handbook is a general summary of the benefits provided by the Public Employee Retirement System of Idaho (PERSI). It is intended to give you a general idea of your benefits and to acquaint you with the PERSI system. IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY. Nothing within this handbook creates an entitlement. Information in this handbook is based on 2006 law. Benefits are based on the law in effect at the time of your termination from employment; thus, some information found here may not apply in specific cases. If there is any discrepancy between this publication and the law, the provisions of the law will prevail.

Idaho Code

The laws and rules governing PERSI may be found in Title 59, Chapter 13, Idaho Code. For legal definitions, please refer to PERSI's Statutes and Rules, available from any PERSI office or at www.persi.idaho.gov.

Benefits and membership requirements for members of the Firefighter's Retirement Fund (who are covered under a separate plan) are explained in Title 72, Chapter 14, Idaho Code.

HANDBOOK REVISION December 2006

If you have any questions about PERSI, call us toll-free or visit our Web site at www.persi.idaho.gov.

Boise Office

Telephone	Mailing Address	Office Address
1-800-451-8228	P.O. Box 83720	607 N. 8th Street
208-334-3365	Boise, Idaho 83720-0078	Boise, Idaho 83702-5518

Coeur d'Alene Office

Telephone	Mailing/Office Address
1-800-451-8228	2005 Ironwood Parkway, Suite 226
	Coeur d' Alene, Idaho 83814

Pocatello Office

Telephone	Mailing Address	Office Address
1-800-451-8228	P.O. Box 1058	850 E. Center, Suite D
	Pocatello, Idaho 83204	Pocatello, Idaho 83201

Email

If you know the name of the person you are emailing, their email address would be firstname.lastname@persi.idaho.gov. For example, Executive Director Alan Winkle's email address is alan.winkle@persi.idaho.gov.

If you don't know who to contact, email our front desk (frontdesk@persi.idaho.gov) and your question will be forwarded to the appropriate person.

Web Site

Find PERSI on the Web at www.persi.idaho.gov or look for Public Employee Retirement System or PERSI under the State Government Agency Index on the State of Idaho's homepage at www.state.id.us.

Choice Plan 401(k) Phone

For information on your PERSI Choice Plan, call toll-free 1-866-437-3774.

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Your PERSI Plans

Retirement Security for our Members Since 1965

The Public Employee Retirement System of Idaho (PERSI) is a $10 billion dollar retirement plan designed to provide secure, long-term pension benefits for employees who choose careers in public service.

PERSI activities positively affect the lives of all Idaho citizens. The system's members and beneficiaries receive direct benefits through retirement, disability, and death benefit programs. Taxpayers benefit by having a more motivated public workforce and by having public service retirees providing for their own retirement rather than depending on public welfare programs.

For our first 35 years, PERSI was a traditional Defined Benefit Plan. This is called your Base Plan. In 2001 PERSI added a Defined Contribution Choice Plan 401(k) to supplement your Base Plan.

With the combination of plans, you have the best of both worlds – the security of the traditional Base Plan and the opportunity to direct your own investments and make voluntary contributions in the Choice Plan 401(k).

The Base Plan

Because the Base Plan is a defined benefit plan, the lifetime allowance you receive at retirement from this plan is not directly dependent on the amount of money you contribute to PERSI. The Base Plan is a qualified tax-deferred plan under IRS Code Section 401(a).

The Choice Plan

The Choice Plan, established in 2001, allows you to voluntarily contribute to a 401(k) account and to direct your investments among a variety of investment options.

As a defined contribution plan, the amount available to you at retirement from the Choice Plan 401(k) depends on your Gain Sharing payments, your voluntary and/or rollover contributions, certain employer contributions, and the investment earnings on those funds.

PERSI History

PERSI was created in 1963 by the Idaho Legislature with funding effective July 1, 1965. Membership in PERSI is made up of nearly 700 public employers throughout the state and their employee members. PERSI has approximately 65,000 active members, 22,000 inactive members, and more than 28,000 retirees or annuitants receiving benefits.

By law, agencies of the State of Idaho and school districts are PERSI members. Political subdivisions such as county and city governments, water, sewer and health districts, libraries and others have also elected to join the Retirement System.

Members of the Teacher's Retirement System of Idaho and all other eligible school employees became PERSI members in 1967.

Two of five municipal Police Officer Retirement funds have also joined PERSI. The other three are being phased out with police officers hired since 1969 becoming PERSI members.

The Firefighter's Retirement Fund merged with PERSI in 1980. Paid firefighters who were members of the original system retain their original benefit entitlement, while those hired after October 1, 1980 are PERSI members.

Quality Benefits

PERSI offers a variety of valuable benefits to our members. These include:

- Base Plan Retirement Benefits
- Choice Plan 401(k)
- Disability Benefits
- Death Benefits
- Gain Sharing
- Cost of Living Adjustments (COLAs)
- Portability of Funds

Base Plan Retirement Benefits

You become a PERSI member when you go to work in an eligible position with a PERSI employer. Enrollment in the PERSI Base Plan is automatic. Both you and your employer make contributions to PERSI. Your contributions are credited to your personal account, while employer contributions are pooled in a trust fund to cover benefits.

The PERSI Base Plan is designed to provide pension benefits to career public employees. The longer you work for PERSI employers, the greater your retirement Base Plan benefit will be. Although you may not remain a public employee your entire career, if you work for a PERSI employer and earn 60-months of service credit you will be vested and receive a lifetime benefit at retirement. The 60-month vesting period (5 months for elected and some appointed officials) does not have to be with the same PERSI employer. So unless you leave public employment altogether, changing jobs should not affect your PERSI membership. With nearly 700 employers across the state belonging to PERSI, you could very well work for a city, the state, and a highway district at different points in your career. Frequently we hear from people who didn't think they would be at their place of employment for more than a few years, but who end up staying a long, long time. The average length of service for PERSI members is approximately 10 years, and this is increasing every year. The average length of service for a PERSI retiree is more than 18 years.

The Value of Your Benefits

After your home, your PERSI Base Plan benefits may very likely be your greatest financial asset.

The actual value of your benefit exceeds your contributions. When you retire, PERSI will pay you every month for as long as you live — and if you selected a retirement option with survivor benefits, your Contingent Annuitant (CA) will receive a benefit for life after your death.

Within the first 3 to 5 years of retirement most members have already received all the money they contributed while working. For example, if your total contributions to PERSI during your career totaled $60,000, and your monthly retirement benefit is $1500, you would receive your $60,000 in approximately 3 years. Although you would have exhausted everything you contributed, PERSI would continue to pay you $1500 a month for the rest of your life, plus annual cost of living adjustments (COLAs). So if your retirement were to last another 30 years, you would receive $540,000 in benefits from the PERSI trust. It would be very hard to find another investment with such a secure, long-term return.

Choice Plan 401(k)

Many private companies have 401(k) plans for their employees to save for retirement, but a 401(k) for government employees is somewhat rare. PERSI went to great lengths to obtain legislative and IRS approval for our 401(k) plan. We did this because we know a 401(k) is an excellent way for you to save on your own for retirement or large financial needs. Some of the big advantages of the 401(k):

- Your contributions are tax-deferred until you withdraw them at retirement.
- Your taxable income is reduced, so you'll pay less federal taxes while you are contributing.
- You may take loans from your account.
- You choose how much to invest, and may select from a variety of investment options.

More Choice Plan 401(k) information is on page 12.

Disability Benefits

Your contributions are also providing you with disability coverage. If after 5 years with PERSI you become totally disabled and are unable to continue working, you may receive a lifetime disability benefit. Disability Benefits are discussed further on page 33.

Death Benefits

PERSI offers financial protection in the form of death benefits. If you die with 60 or more months of credited service while active or inactive, and you have named your spouse as your sole beneficiary, PERSI will offer your spouse the choice of a lump sum payment of two times your contributions plus interest, or a monthly allowance payable for his or her lifetime. If you named other beneficiaries to share the death benefit with your spouse, your beneficiaries may waive their right to a lump sum death payment to allow your spouse to receive a lifetime monthly allowance. For more details , go to page 40.

Cost of Living Adjustments

PERSI applies a Cost of Living Adjustment (COLA) to retirement benefits effective March 1 each year to help keep payments equal with inflation. All PERSI retirees currently maintain 100 percent purchasing power because of the COLAs. This means a retiree's benefits are worth nearly as much as they were the day they retired — even if they retired 30 years ago. Most private sector retirees receive no cost of living adjustments at all, so over time their purchasing power drops considerably. For more on COLAs, see page 47.

Portability of Funds

Your Base Plan contributions are always yours. If you leave PERSI-covered employment, you may withdraw your Base Plan money, plus any interest earned — although tax penalties and withholdings may apply, or you may roll over your money and interest to an Individual Retirement Account (IRA) or other qualified retirement plan, and still use it to fund your retirement.

If you leave a PERSI employer, but keep your Base Plan money in PERSI and later work for another PERSI-covered employer, you retain the service credit earned in your previous job. All service credit you earn while working for a PERSI employer is automatically combined into a single account for you.

Your Retirement Board

PERSI is directed by a five-member Retirement Board. Individuals on the Board are appointed by the Governor of the State of Idaho for terms lasting 5 years. These appointments are subject to Senate confirmation. State law requires that two members of the Board be active PERSI members with at least 10 years of service. Current Board members are:

Jody B. Olson
Chairman
Term Expires July 1, 2007

Clifford T. Hayes
Term Expires July 1, 2009

J. Kirk Sullivan
Term Expires July 1, 2011

Pamela I. Ahrens
Term Expires July 1, 2008

Jeff Cilek
Term Expires July 1, 2010

Board's Fiduciary Duty Of Loyalty

As fiduciaries, the primary duty of the Retirement Board and PERSI staff is that of loyalty, or acting with an "eye single" to the interests of the members as a whole.

As trustees of the plan, the Retirement Board acts in a fiduciary capacity on behalf of the members of the fund and their beneficiaries. The Board is required to discharge its duties for the exclusive benefit of members of the fund, consistent with the governing provisions of the plan.

Board's Areas of Responsibility

The Board is responsible for:

- Overseeing the fund's investment activities. This includes hiring investment managers and setting the asset allocation and funding policy for the Base and Choice Plans
- Approving proposed legislation.
- Setting contribution rates.
- Determining annual Cost of Living Adjustments (COLAs) for retirees.
- Determining Gain Sharing distribution amounts, if any.
- Reviewing and adopting actuarial assumptions.
- Overseeing PERSI's administrative activities, including approving PERSI's annual budget.

The Retirement Board does not have the authority to approve changes to PERSI's benefit structure. As PERSI's Plan Sponsor, the Idaho Legislature is responsible for determining the benefit structure. They alone may pass legislation to change retirement benefits. The Board does have the authority to set contribution rates needed to fund the system and to establish Gain Sharing distribution amounts, if any.

The Board may submit legislation to facilitate the administration of the plan, to amend existing statutes, or to enable better customer service.

The Board does not submit legislation affecting the plan's benefit structure. Interested constituent groups may independently propose legislation affecting the benefit structure.

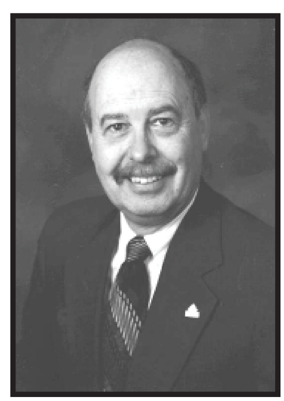
PERSI's Board generally will not support or oppose legislation submitted by constituent groups. PERSI's Board and staff will provide any information and technical support required for the legislature to vote on legislation. The Board would, however, as a part of its responsibility to the system's members, oppose any proposed legislation which would financially or structurally weaken the retirement system.

Board Meetings

Retirement Board meetings usually begin at 8:30 a.m. on the fourth Tuesday of the month at PERSI's Boise office at 607 North 8th Street. One meeting each year is held in another Idaho city. Meetings are open to PERSI members and the public. If you would like to attend a meeting, you may want to call first to confirm the date, time, and location. The agenda for each meeting is posted on the PERSI Web site at www.persi.idaho.gov.

PERSI's Executive Director

While the Board governs the general operation of the system, the daily administration is delegated to a full-time director appointed by the Board to serve as its executive officer. The Executive Director is responsible for employment of the retirement office staff and for the routine operation of the system within the scope of the law and the fund's rules and policies.



Executive Director
Alan H. Winkle

Membership

Choice Plan Eligibility

The Choice Plan is available to anyone eligible for membership in the PERSI Base Plan.

Base Plan Eligibility

You become a PERSI member when you go to work in an eligible position with a PERSI employer. Enrollment in the PERSI Base Plan is automatic. By Idaho law, you automatically become a member of PERSI's Base Plan if:

- Your employer belongs to PERSI, and
- Your employment is for 5 or more consecutive months, and
- You normally work 20 hours or more per week, or are a teacher who works half-time contract or more, or
- You are an elected or appointed official receiving a salary for 5 or more months.

There are special requirements for certain city and county employees. Seasonal or casual city and county employees whose employment depends on weather and growing seasons must have more than 8 months of service to be eligible.

You are NOT eligible to join PERSI if:

- You are providing service to a PERSI employer as an independent contractor;
- You are provided employment in a public program benefiting yourself;
- You are an inmate of a state correctional institution;
- You are a student at a state college or university, and employed at the same school when the employment depends on maintaining student status;
- You are making contributions to the U.S. Civil Service Commission under the U.S. Civil Service System Retirement Act; or
- You are an employee of a city or county working 8 months or less whose employment depends on weather and growing season.

New hires at Boise State University, Idaho State University, Lewis-Clark State College, University of Idaho, Junior Colleges, or the office of the State Board of Education should check with your human resources office about membership in PERSI or Optional Retirement Program.

Department of Commerce and Labor

If you have credited service in the Idaho Department of Commerce and Labor (formerly the Department of Employment) retirement plan, check with the IDCL retirement coordinator about possible benefits under that plan.

Base Plan Eligibility Changes Since 1965

Employment prior to July 1, 1965

Documented Idaho public employment normally in excess of 20 hours per week for at least 5 calendar months during a year.

Employment from July 1, 1965 to June 30, 1976

Same requirements as above, AND the employer must have been participating in PERSI. Contributions were required. From July 1, 1965 through June 30, 1971, there was a 12-month waiting period before contributions were required. Eligible employment during the waiting period may now be credited if contributions for this time, plus interest, are paid to PERSI before retirement. School teachers who did not contribute to the Teacher's Retirement System between July 1, 1965 and July 1, 1967, or who withdrew their contributions for that period, cannot receive credit for employment during that 2-year period.

Employment since July 1, 1976

Same requirements as for the period from July 1, 1965, except that employment must be for at least 5 consecutive months.

Employment since July 1, 1990

Same requirements as for the period from July 1, 1976, except that hours worked must normally be 20 hours or more per week.

Membership Categories

There are two types of PERSI membership:

- General Member
- Police Officer and PERSI Firefighter (firefighters hired on or after October 1, 1980)

The two membership types are differentiated by Idaho Code and have different benefit structures and retirement requirements. They also have different contribution rates. While police/firefighter members may retire earlier, they also pay higher contributions.

Membership Status

Active

You are an active member of PERSI as long as you are working for a PERSI employer, making contributions, and meet eligibility requirements. Active members earn service toward retirement in PERSI.

Inactive

You are an inactive member if you stop covered employment, but leave your contributions in PERSI.

Vested

Vesting establishes your right to a guaranteed future monthly Base Plan retirement benefit without additional service. Most members are vested when they acquire 60 months of service; however, elected and some appointed officials may be vested after 5 months. Once vested, you may cease PERSI employment at any age, hold your membership by leaving your contributions in PERSI, and claim a monthly lifetime retirement benefit when you meet at least minimum retirement age. Your benefit will be calculated under the formula in effect on the date of your last contribution.

Credited Service

You accrue 1 month of service for each calendar month you work as an active member of PERSI. A calendar month is one in which you are employed 15 days or more.

You may earn a maximum of 12 months of service for any calendar year. You cannot exceed 1 month of service per month even if you are employed in more than one public job at the same time. You must be paid for at least 20 hours per week, or if you are a teacher on contract, you must have at least a 50 percent contract. Overtime does not earn additional credited service.

Your total credited service is one of the factors in the formula used to determine your Base Plan benefit amount when you retire. It is the sum of your membership service, any prior service, any eligible military service, and disability service. Be sure these are included in your PERSI record; they could increase the amount of your retirement benefit.

Your service must qualify as eligible employment to be credited. Eligible employment after July 1, 1965, is considered membership service.

Military Service

For PERSI purposes, "military service" is any active duty in the United States armed forces, including the National Guard and reserves, which interrupts your PERSI service.

Your PERSI contributions cease when you leave PERSI-covered employment.

You may earn PERSI credit for the period while you are on active duty. You do not have to pay contributions to receive credit for eligible military service.

You may earn PERSI credit for the period while you are on active duty if:

- you begin service within 90 days of leaving PERSI-covered employment, and
- you return to PERSI employment within 90 days of release from active duty, or are killed in the line of duty.

Generally, military service may not exceed 5 years if it is at the convenience of the U.S. government, or 4 years if you voluntarily extend your duty. Military service does not include any period of active duty that ends in dishonorable discharge, or any period in which you could have chosen to discontinue active duty.

Disability Service

Disability service is the total number of months between the date you became disabled and the date you would normally have reached Service Retirement Age. The time is automatically credited to you when you are approved to receive a PERSI disability retirement. After adding disability service, total credited service may not exceed 360 months. See Disability Retirement, page 33.

Service Earned During Leaves

Medical Leave

If you are on authorized paid sick leave, normal employee contributions are deducted from your salary and your employer pays their required contributions. You continue to earn service credit as long as you remain an eligible employee receiving pay representing 20 hours or more per week. You must work, or be in payroll status, at least 15 days per calendar month to accrue 1 month of service credit. When you are on authorized unpaid sick leave (such as that for the federal Family Medical Leave Act which allows 12 weeks of unpaid leave for medical purposes), no service is earned, but your PERSI benefits are "preserved," meaning you will not lose any credits already earned.

Worker's Compensation

You typically earn service credit if, while drawing worker's compensation benefits, you are receiving salary representing 20 hours or more per week and are making contributions to PERSI. If you are out of pay status and are receiving only worker's compensation benefits, you will not earn PERSI service credit.

Vacation Leave

If you are on authorized paid vacation leave, employee contributions are deducted from your salary and your employer pays their required contributions. You continue to earn service as long as you remain an eligible employee. You must work, or be in payroll status, at least 15 days per calendar month to accrue 1 month of service credit.

Personal Leave

No service is given for an educational or non-paid personal leave of absence, or for time off due to a strike.

Sabbaticals

For some teachers or university faculty taking a sabbatical, service can only be earned for the leave if you receive at least one-half contract salary and continue contributions during the sabbatical. If the sabbatical occurs during your base period, it may affect your final average monthly salary, which could lower your retirement benefit.

Your Contributions to PERSI

Your employer will take a percentage of your gross salary from your paycheck every pay period, and will transfer that money, along with an employer contribution, to PERSI. The rate of your contribution is, by state law, a percentage of the employer contribution rate.

The employer contribution rate is set by the Retirement Board based on system benefit levels, the number of members, the age and average life expectancy of those members, and the system's funding status.

Your employee contributions go into a Base Plan account credited specifically to you. You earn interest on your Base Plan account. Your funds may be withdrawn only if you cease employment and forfeit the credit accrued. You cannot borrow from your Base Plan account.

Your contributions are tax-deferred until you or your beneficiary receive a separation, retirement, or death benefit. Federal and state income taxes are computed on your salary after your contributions are deducted, lowering your taxable income.

Within the first 3 to 5 years of retirement most members have already received all the money they contributed while working.

Contributions made by your employer are not paid specifically for you, are not credited to your account and are not refundable to you, your beneficiary or your employer. Employer contributions and investment earnings are placed in a pooled reserve to fund all future benefits.

If you leave public employment, whether or not you qualify for a pension, you may withdraw your contributions plus interest.

Contributions made by your employer are not refundable to you. When you retire, part of your lifetime benefit will be funded by the contributions your employer made.

Voluntary Contributions

Choice Plan 401(k)

You may make voluntary contributions to your Choice Plan 401(k) account and direct how those funds are invested. Check the PERSI Web site at www.persi.idaho.gov for enrollment forms.

We strongly encourage you to participate in this voluntary plan because your PERSI Base Plan and Social Security were never intended to provide your entire retirement income. They are just two legs of the retirement "footstool," together providing between 50 - 95 percent of the amount you'll need for a financially secure retirement, depending on your income. In addition to these two forms of retirement income, you should be investing and saving on your own. The earlier in your career you start saving, the better off you will be. See page 12 for more information on the Choice Plan 401(k).

Base Plan

You may not make voluntary contributions to your Base Plan account.

Interest Earned on Base Plan Contributions

Interest is credited to your Base Plan account monthly. The interest rate is set annually, and is the same as the net investment rate of return earned by the PERSI portfolio at the end of the previous fiscal year. If the investment return for any fiscal year is less than a yearly average of quarter-ending 13-week Treasury Bills, interest will be at least equal to that T-Bill average.

The amount of money and/or interest in your Base Plan account is only important in the event of a lump sum separation benefit or death benefit payment. The amount of money and/or interest in your Base Plan account is not a factor in the calculation of your retirement benefit. All credited interest will be paid to you if you take a separation benefit or if a lump sum death payment is made to your beneficiary.

If you are repaying a Base Plan Account Withdrawal or delinquent contributions to PERSI, you are charged interest. Any interest you pay in these situations is credited to your account. This interest amount is different. See page 37 for details.

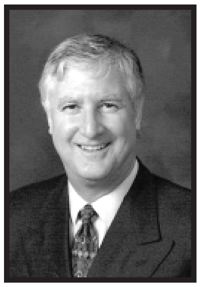
Base Plan Contribution Rates as a Percent of Pay*

General Member	Police/Fire Member	General Employer	Police/Fire Employer
6.23%	7.65%	10.39%	10.73%

* Percentages are as of July 1, 2004 and are subject to change

Investment Fund

All funds received by PERSI's Base Plan, including your contributions and your employer's contributions, are invested to earn the best rate of return with acceptable risk. Investment policy and guidelines are determined by the Retirement Board in consultation with PERSI's professional investment staff.



Chief Investment Officer
Robert M. Maynard

PERSI's investment horizon spans decades as we need to fund benefits for members who range in age from 18 to over 100 years old.

PERSI's goal is to minimize the effect of external influences by diversifying among a wide range of asset classes and investment management styles, both domestically and internationally.

Equities – Stocks make us part owner of many companies worldwide. This includes Real Estate where PERSI owns shares in shopping centers, office buildings and other income-producing properties.

Bonds/Fixed Income – Whether financing a government or corporation's need for money, bonds yield a steady stream of income.

Cash Equivalents – Money market accounts allow PERSI accessibility to funds and flexibility.

An independent performance evaluation of each money manager's investment results is conducted each quarter. More detailed information concerning allocations and managers is in PERSI's latest Annual Financial Report, which is available on our Web site.

Your Choice Plan 401(k)

What is the Choice Plan?

The Choice Plan is a 401(k) plan that allows you to voluntarily save and invest through simple and convenient payroll deductions.

You may save 1 - 100 percent of your gross income (including overtime) on a pre-tax deferral basis. Saving pre-tax means your contributions come out of your paycheck before your taxes are calculated, meaning you pay more to yourself and less to Uncle Sam.

Your employer may also contribute to your 401(k)—either on a regular basis or as one-time bonuses. Each PERSI employer handles this differently, so check with your employer to see if they offer any matching funds.

The Choice Plan may also include Gain Sharing contributions, if any, as determined annually by the PERSI Retirement Board. See page 42 for more information on Gain Sharing.

ACS is our private-sector partner for the Choice Plan, handling record keeping and most Choice Plan transactions.

Why Join the Choice Plan?

Joining the PERSI Choice Plan 401(k) may be one of the smartest moves you'll ever make. It is an easy way to accumulate money for the future.

Realistically, while the PERSI Base Plan is a great retirement plan by itself, you'll probably need more than the Base Plan and Social Security to be able to enjoy the kind of comfortable retirement that you want.

The best way to finance a comfortable retirement is by saving and investing now, while you are working. Some of the advantages of your Choice Plan 401(k):

- You save on current taxes,
- Your savings grow faster with tax-deferred compounding,
- Payroll deduction is convenient and easy,
- You can take your money with you if you change jobs,
- It is never too early or too late to start.

The Advantage of Pre-Tax Savings

One of the most important features of the Choice Plan is its tax advantage. When you save with pre-tax dollars, you do not pay federal income tax on that money until it is withdrawn. So, you have the opportunity to earn investment returns on money that normally would immediately go to the government.

Because your pre-tax contributions are deducted from your pay before income taxes are figured, your current taxable income is lowered. You will pay less taxes out of your paycheck and you defer taxes on your contributions until you take a distribution.

Every Little Bit Counts

Every bit you save—no matter how large or small—increases your retirement resources. If you think you have plenty of time to start saving in the PERSI Choice Plan, here's something to consider.

It pays to start early. Even if you start small, over time your nest egg will grow. Let's compare the ending balances of two hypothetical participants at age 65—one who began saving at age 21 and contributed for only 10 years and the other who began saving at age 31 and contributed until age 65. The illustration shows the significant advantage of starting sooner rather than later. Beginning today and saving for just 10 years will add up to more than if you wait 10 years, then save for the next 34 years.

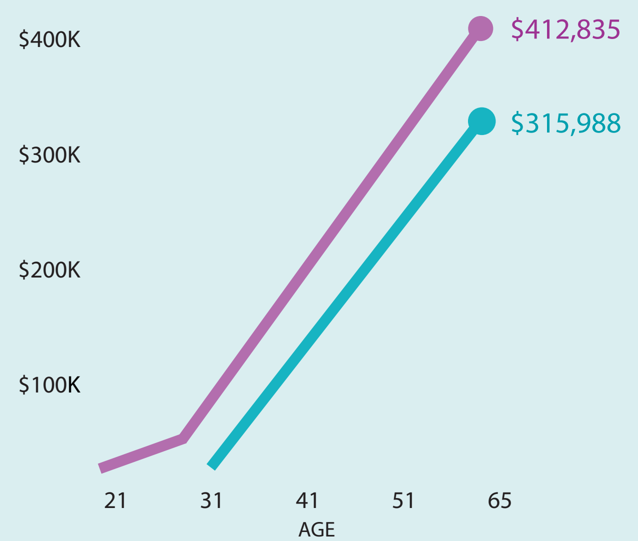
As you can see, it pays to start early. The participant who started to save at age 21 and stopped at age 31 has $412,835 at age 65. The other participant, who started saving at age 31 and saved for the next 34 years, has substantially less—$315,988.

Even if you're not in your 20's anymore, time can be on your side; so start now. Through compounding, the interest you earn on your investment goes on to earn even more. If you start now, you can put away a good sized nest egg.

It Pays To Save Now*

Participant who begins saving at age 21, contributes for 10 years, then stops.

Participant who begins saving at age 31 and contributes to age 65.



*This hypothetical illustration assumes an annual salary of $30,000, an 8% investment return per year with monthly compounding and a 6% participant contribution. Returns of actual investments will vary.

Who is Eligible?

If you are eligible for membership in the PERSI Base Plan, you may immediately participate in the Choice Plan. (See Base Plan eligibility requirements on page 8.) You may also participate in the Choice Plan 401(k) if you are a member of the Firefighter's Retirement Fund (FRF), the Judge's Retirement Fund or the Department of Labor Retirement Plan.

Investment Options

The investment options in the Choice Plan give you great flexibility in building your savings portfolio. You may allocate your assets in 1 percent increments among 11 investment options. The options range from conservative Stable Value funds to more aggressive International Equity funds. For fund options, visit our Web site or call us.

How Pre-Tax Saving Works

	Pre-Tax Savings In the 401(k)		After-Tax Savings In a Traditional Account Outside of the Plan	
Total Annual Pay	$	30,000	$	30,000
Your Pre-Tax Contribution At 10%*	$	3,000	$	0
Taxable Income	$	27,000	$	30,000
Federal Tax Withheld**	$	2,835	$	3,285
Net Income	$	24,165	$	26,715
After-Tax Savings Outside Of The Plan	$	0	$	3,000
Spendable Income	$	24,165	$	23,715
Savings Advantage	$	450	$	0

This example is hypothetical and for illustrative purposes only. Actual taxes will vary.

* Federal taxes will be paid on pre-tax contributions upon withdrawal of funds but, in the meantime, you will have earned investment returns on them. You do pay Social Security taxes on your contributions to the Plan.

** Based on a single individual with the standard deduction in 2004.

You are automatically enrolled with a 100 percent investment election in the PERSI Total Return Fund (the Choice Plan's default investment option). The PERSI TRF invests exactly the same as the PERSI Base Plan portfolio. It is a diversified fund that generally invests 45 to 55 percent in US equities, 15 to 25 percent in international equities and 30 percent in fixed income securities. It includes primarily publicly traded stocks and bonds with some private holdings in real estate, private equity and commercial mortgages.

You may leave your funds in the default TRF, or you may choose among the other 10 investment options.

Note: Securities are not FDIC-insured. They are not bank deposits, bank obligations or bank-guaranteed. They pose investment risks, including the risk of principal loss. Past performance is no guarantee of future results. Share price and investment returns fluctuate and an investor may receive more or less than original cost upon redemption.

Enrolling in the Choice Plan 401(k)

When you become a PERSI member, you will automatically receive a Choice Plan enrollment kit. The kit includes an enrollment form, fund summary sheets describing your investment options, and information on the Plan.

To participate, you must complete an enrollment form. Contributions will begin as soon as administratively possible (usually the next payroll cycle).

You may defer from 1 - 100 percent of your salary each payroll period. The maximum contribution for 2006 is $15,000. This amount will be adjusted for inflation annually in $500 increments.

You must contribute at least $130.00 per year. No contribution may be less than $130.00 divided by the number of payroll cycles for the year—$2.50 per weekly payroll [$130.00 divided by 52 weekly payrolls = $2.50].

Although we allow you to contribute up to 100 percent of compensation, the actual percentage you may contribute is limited by other mandatory and voluntary salary reductions such as the PERSI Base Plan contribution, FICA, medicare, insurance, etc.

Your PIN is Important

ACS will mail you a personal identification number (PIN) for accessing your account when you become a PERSI member. With this PIN you will also receive:

- Instructions for using the toll-free voice response system or Internet to access account information.
- A reminder to change your Investment Allocation if you do not want your contributions to be invested in the default PERSI Total Return Fund.

If you misplace your PIN you may request a PIN reminder letter via the Web site or toll-free number.

Record Keeping Fees

As long as you are an active PERSI member, PERSI will pay the record keeping fees for you. If you end PERSI-covered employment and decide to leave your money in the Choice Plan, you will be responsible for the record keeping fees (currently $30 annually).

Statements

Beginning in 2007, statements containing information on account balance, fund performance, contribution activity, and more will be available electronically with paper copies mailed upon request. Annual statements will still be mailed at the end of each year.

Changing Your Deferral Amount

You may change your salary deferral amount at any time by completing a new Enrollment Form and submitting it to your payroll clerk. Upon receipt by ACS, a confirmation will be mailed to you within 2 business days and the change will be effective as soon as administratively possible (usually the next pay cycle). This change cannot be made directly with ACS because your employer needs to know how much to deduct from your paycheck.

Changing Your Investment Elections

You may make investment election changes on how future (not yet deducted) contributions will be invested at any time. You may select from 11 fund options using the toll-free voice response system, an ACS customer representative, or the Internet. All future contribution types (Voluntary, Employer or Gain Sharing) have the same investment election. Elections are made in 1 percent increments; fractional percents (i.e., 33-1/3) are not allowed. When you make investment election changes, ACS will mail you an Investment Election Change Confirmation within 2 business days.

Making Fund Transfers

You may transfer your existing account balances among the 11 investment funds via the Choice Plan automated voice response system, the Choice Plan Web site, or an ACS Customer Service Representative at any time. You must have your PIN available.

Transfers may be initiated 24-hours-a-day, 7 days-a-week (except via ACS Representatives). Requests received prior to 4:00 pm EST will be processed at that business day's closing net value. Requests received after 4:00 pm EST or on holidays will be processed at the next business day's closing net value. Transfers received after 4:00 pm on Fridays and weekends will be processed at the close of business on Monday. There is no fee for making a fund transfer.

Making Catch-Up Contributions

If you will be age 50 or older in 2006, you may make additional catch-up contributions of up to $5,000 for the calendar year.

Rollovers into the Choice Plan

You may roll over balances from your prior employers' eligible retirement plans {401(a), 401(k), 403(a), 403(b), and 457} or pre-tax IRAs, provided the balances qualify for tax-free rollover treatment. Rollover contributions must be in cash; contributions in-kind (in the form of shares) are not permitted.

Taking Loans from Your Choice Plan Account

While your PERSI Choice Plan account is intended for retirement, loans are permitted for any reason during employment. You may have only one outstanding loan at a time from the Choice Plan.

You must have at least $2,000 in your account (excluding Gain Sharing) to take a loan. The minimum amount you may borrow is $1,000. The maximum amount is the lesser of 50 percent of your account balance excluding Gain Sharing amounts, or $50,000. Inactive members may not take a loan.

Loan Repayments

Loan repayments are made via salary (payroll) deduction, and are credited to your account according to your investment allocation. If no investment allocation has been made, repayments will be invested in the default PERSI Total Return Fund.

The interest rate for all new loans is the Prime Rate plus 1 percent, as published in the Wall Street Journal on the first business day of each month. The repayment period may be up to 5 years for a general purpose loan and up to 10 years for the purchase of a primary residence.

Defaulting on a Loan

If you default (stop payment) on your loan, your unpaid balance is considered taxable and will be reported to the IRS. You will be liable for the income taxes on this amount. You will receive a Form 1099 the following January for the unpaid amount.

Paying a Loan in Total

You may pay off an outstanding loan in full at any time. Partial loan repayments in amounts different from the regularly expected loan repayments are not allowed.

To pay off a loan in total, call PERSI. After contacting your payroll department to see if any payments are pending, we can let you know the exact amount for the full payment.

Making Withdrawals While Employed

You may make In-Service withdrawals of your Choice Plan funds as follows:

Hardship

A hardship withdrawal may only be taken for relieving an immediate and heavy financial need for these reasons:

- payment of current post-secondary tuition (not loan repayments);
- unreimbursed medical expenses;
- purchase of a primary residence; or
- to prevent eviction or foreclosure of your primary residence.

To receive a hardship withdrawal, you must first exercise all other loan or withdrawal options, including a Non-Hardship In-Service Withdrawal. The withdrawal may only include your pre-tax contributions. Gain Sharing contributions are not available for a hardship withdrawal.

A hardship withdrawal may not be rolled over, but is not subject to the 20 percent federal withholding tax. You may be required to pay a 10 percent IRS penalty for early withdrawal on the hardship amount (if under age 59 1/2) in addition to regular income taxes.

If you do take a hardship withdrawal, you will be suspended from making employee voluntary (pre-tax) contributions to the Choice Plan for 6 months.

Inactive members may not take a hardship withdrawal.

Non-Hardship

A non-hardship rollover withdrawal can be made for any reason. This withdrawal option is limited to rollover balances only and is not available to inactive participants.

A rollover withdrawal is subject to a mandatory 20 percent federal income tax withholding unless it is rolled over to an eligible retirement plan. It also may be subject to a federal 10 percent early distribution penalty if you are under age 59 1/2.

In-Service Transfers to the PERSI Base Plan

Funds from your Choice Plan account may be transferred to the PERSI Base Plan to repay Base Plan account withdrawals, waiting periods or delinquent contributions. You must be actively working to begin such a repayment. If you have already started a repayment agreement through payroll deduction, you may not do an in-service transfer. See page 37 for more information on repaying Base Plan Account Withdrawals.

24-Hour Choice Plan Account Access

You may access your account information 24-hours-a-day by calling the voice response system or by visiting the Choice Plan Web site. You may change your investment allocations, transfer balances, request a loan or withdrawal and change your PIN. You may also look up fund prices and fund performance, link to other investment sites and use retirement calculators to help you plan for the future.

The voice response system is available 24-hours-a-day, 7-days-a-week. To speak with a customer service representative, call the voice response system between 7 am and 6 pm MT, Monday through Friday.

Automated voice response:
Toll-free 1-866-437-3774

ACS Customer Service Representatives
Toll-free 1-866-437-3774
Monday - Friday 9 am – 8 pm EST

www.persi.idaho.gov/choice.htm

Military Service and Your Choice Plan Account

You may make up your voluntary pre-tax contributions to the Choice Plan 401(k) missed while on qualified military service if you return to work within 90 days of release from active duty. You may make up any amount up to the limit not used during the applicable year. For example: If the annual limit was $15,000 and you contributed $2,000 before your military service, you may make up $13,000 for the year.

You have three times the period of military service or up to 5 years, whichever is less, to make up the contributions. Such contributions do not count against annual contribution limits during the make-up period.

You may be eligible to receive employer contributions and PERSI Gain Sharing while you are on qualified military service. To be eligible for any Gain Sharing distributions during your service, make sure your employer sends a copy of your orders to PERSI prior to your leave of absence.

If you took a loan from your PERSI Choice Plan 401(k) and are in the process of repaying the loan, your repayments may be suspended during any period of qualified military service. Once you return from active duty, payments will resume.

Additional Savings Accounts

In addition to PERSI's Choice Plan, your employer may offer other tax-deferred personal retirement vehicles, such as 401(k), 457 (deferred comp), or 403(b) (tax- sheltered annuity) plans.

You may also want to consider a pre-tax Individual Retirement Account (IRA) or other savings or investment vehicles.

We encourage you to join the Choice Plan 401(k) because we feel it is advantageous for you to do so— particularly because PERSI pays your record-keeping fees while you are working. Should you choose not to join the 401(k), however, we would really like to see you participate in another employer plan or pre-tax IRA. You are the one who will reap the financial benefits.

Choice Plan Payment Options at Retirement

The full value of your account is available to you if you retire. Depending on your individual circumstances, you may choose from a number of payment options:

- a lump sum;
- monthly installment payments;
- rollover to an eligible retirement plan {401(a), 401(k), 403(b), 457 or pre-tax IRA};
- purchase of Base Plan service;
- leave your assets in the plan, if $200 or greater; or
- a combination of options.

If your account balance is more than $5,000, and you are retiring, disabled, a spouse beneficiary, or if you have attained the Choice Plan's Normal Retirement Age (50), you may choose any of the following options or a combination of options. If your account balance is $5,000 or less, or you have not attained the Choice Plan's Normal Retirement Age (50), you may not choose installment payments, but may choose any of the other options or a combination of them. Options are based on your account balance on the date you request a distribution.

Purchase Base Plan Service

You may convert all or a portion of your Choice Plan account to purchase service under the PERSI Base Plan. To take advantage of this option, you must be retiring and must have completed the necessary "Purchase of Service" paperwork within the 90-day period preceding the date of retirement.

Lump Sum Payment Directly To You

Any amounts payable that are eligible for rollover distributions will be subject to federal income tax withholding of up to 20 percent and applicable state income tax withholding. You may also incur a federal 10 percent early distribution penalty if you are under age 59 1/2. Distributions that are not eligible for rollover generally will be subject to a 10 percent federal withholding, unless you elect a different rate.

Leave Your Funds in the Choice Plan

You may leave your funds in the Choice Plan until a later date or until retirement if your account balance is $200 or greater. The funds will be subject to minimum distribution requirements when you turn age 70 1/2. By leaving money in the Plan, you defer paying taxes. You will be responsible for the annual record keeping fees to maintain this account (currently $30 annually). The fees will be assessed against the account monthly, beginning the calendar month starting 90 days after you terminate or retire.

Rollover to an IRA or Eligible Retirement Plan

You may transfer your Choice Plan account balance via direct rollover into an Eligible Retirement Plan {401(a), 401(k), 403(a), 403(b) and 457} or pre-tax Individual Retirement Account (IRA). By transferring the money via direct rollover, you defer paying taxes.

Installment Payments

You may receive monthly installment payments of your Choice Plan account. Monthly installments can be paid:

1. in a fixed monthly amount (not to exceed 120 months); or
2. in substantially equal payments over a fixed period of time not to exceed the joint life expectancy of you and your beneficiary.

Installment payments are available only upon retirement, attainment of age 50, disability, or your death if your beneficiary is your surviving spouse. This option is only available if the balance is more than $5,000. You will be responsible for the record keeping fees to maintain this account (currently $30 annually) during the time the installment payments are being made. The installment option may be affected by minimum distribution requirements when you turn age 70 1/2.

Choice Plan Payment Options if You're Not Retiring

For information on the payment options available if you stop working but are not retiring, see page 35.

Base Plan Retirement Benefits

Base Plan Retirement Eligibility

When you are eligible to retire depends on how many months of service you have, your age, and whether you are a general member, a police officer/ PERSI firefighter, a member with mixed general and police/firefighter service, or an elected or appointed official. There are several types of retirement, each with its own requirements for eligibility. The types of retirement are:

- Service Retirement
- Early Retirement (including the Rule of 80/90
- Disability Retirement

Service Retirement

Service Retirement Age is the age at which you may retire with a full, unreduced benefit. You may take service retirement if you:

- End employment on or after reaching Service Retirement Age, AND
- Have 60 months of service, OR
- Have 60 months of service, AND
- End employment before reaching Service Retirement Age and defer drawing your pension until you reach Service Retirement Age.

Service Retirement Age Requirements

- Age 65...........General Member
- Age 60...........Police Officer/PERSI Firefighter
- Age 60-65....Member with Mixed General and Police Officer/Firefighter Service

You are not required to take retirement when you reach Service Retirement Age. You may continue working as long as you wish. Your benefits continue to build as long as you continue to work. If you work past age 70, you may also qualify for a late-retirement increase.

You may take Early Retirement (retire before reaching Service Retirement Age) with an unreduced allowance if you meet the Rule of 80/90. See page 21. If you have mixed service, see page 30.

Service Retirement for Elected and Appointed Officials

If you reach Service Retirement Age while you are an elected or appointed official working less than 20 hours per week, you may take a service retirement even if you continue to serve as an elected or appointed official. If you do so, all contributions will stop and you will not accrue additional retirement credits. However, you will continue to draw your salary while drawing a retirement benefit.

Elected and appointed officials establish membership with 5 consecutive months of credited service.

> You may retire with a full, unreduced benefit when you reach "Service Retirement Age," which is age 65 if you are a General Member, and age 60 if you are a Police Officer/PERSI Firefighter.

Base Plan Service Retirement Formula

Your Base Plan retirement benefit is based on your Highest Average Monthly Salary (gross salary) over a Base Period and your total Months of Service. A Base Period is the period of consecutive months during which you received your Highest Average Monthly Salary (Chart A). This is usually at the end of your career, but may have occurred earlier. The number of months used in a Base Period has changed over the years, improving the benefit formula. To find the number of months used in your Base Period, find what was, or will be, your date of last contribution (the date you stop working).

	Average Monthly Salary During Base Period (A)
x	Multiplier (B)
x	Months of Credited Service
=	Annual Benefit
÷	12 Months
=	Monthly Service Retirement Benefit

Your benefit will only be computed using the formula in Idaho law at the time of your last contribution. You must be working on or after the effective date of a formula for those factors apply to your benefit.

The formula used to calculate your Base Plan retirement benefits

Your Average Monthly Salary During Base Period (A)	________
Multiplier (B)	x ________
	=________
Months of Credited Service	x________
Annual Benefit	=________
	÷ 12
Monthly Benefit	=________

Minimum and Maximum Benefit

Minimum – A minimum benefit insures that if you are eligible for service or disability retirement you will not receive less than a certain amount.

Maximum – There is a cap on the maximum benefit. Your monthly retirement benefit may not be higher than your highest 36-month average salary.

A Average Monthly Salary During Base Period (gross salary)

Your Highest Average Salary over this many Consecutive Months

Date of Your Last Contribution	Number of Consecutive Months of Highest Average Salary to use in your Formula
Up to September 30, 1992	60 month base period
October 1, 1992 to September 30, 1993	54 month base period
October 1, 1993 to September 30, 1994	48 month base period
October 1, 1994 and after	42 month base period

B Multiplier

	Use this Multiplier if you are a	
Date of Your Last Contribution to PERSI	General Member	Police/Fire Member
Up to September 30, 1992	1.667%	2.000%
October 1, 1992 to September 30, 1993	1.750%	2.075%
October 1, 1993 to September 30, 1994	1.833%	2.150%
October 1, 1994 to June 30, 2000	1.917%	2.225%
July 1, 2000 and after	2.000%	2.300%

Base Plan Early Retirement

You may retire early (before reaching Service Retirement Age) if you:

1. Meet the minimum age requirement, AND
2. Have at least 60 months of service.

(Elected and appointed officials should contact PERSI regarding service requirements.)

You may retire early with an unreduced allowance if you are vested, meet the minimum age requirement and the requirements of the Rule of 80/90.

Rule Of 80/90

You may receive an unreduced retirement allowance if your years of service, plus your age equal 90 (General Members) or 80 (Police Officer/PERSI Firefighters). You do not need to reach the Rule of 80/90 to retire. As long as you have reached minimum retirement age, and have at least 60 months of service, you may retire. However, if you retire before reaching service retirement age or the Rule of 80/90, your benefit amount will be reduced.

Early Retirement Reductions

If you retire before reaching Service Retirement Age or before reaching the Rule of 80/90, your retirement allowance will be reduced. The percentage of the deduction is based on the smaller of:

1. The number of years you are from Service Retirement Age at date of retirement, OR
2. How many years of age and service (also called "points") you are from reaching the Rule of 80/90.

When your Base retirement allowance is calculated, PERSI automatically figures in the reduction that is most advantageous to you. If you work beyond Service Retirement Age or the Rule of 80/90, your retirement allowance continues to increase.

Early Retirement Age Requirements

Member Type	Minimum Retirement Age	Rule of 80/90
General Member	55 You may retire the first day of the month following the month you turn 55. For example, if you turn age 55 on May 15, you may retire June 1.	Rule of 90 For an unreduced allowance, your years of service plus your age must equal 90.
Police Officer/ PERSI Firefighter	50 You may retire the first day of the month following the month you turn 50. For example, if you turn 50 on March 22, you may retire April 1.	Rule of 80 For an unreduced allowance, your years of service plus your age must equal 80.
Members with Mixed Service Both General Member & Police Officer/PERSI Firefighter service	Between 50 - 55 The age depends on your ratio of general member to Police Officer/ PERSI Firefighter service. (See page 30.)	Rule of 80/90 For an unreduced allowance, your years of service plus your age must equal 80 to 90 depending on your ratio of general member to Police Officer/PERSI Firefighter service. (See page 30.)

Early Retirement Reduction Examples

Rule of 90

Barbara is a general member with 30 years of service. She is 60 years old, and therefore is 5 years away from Service Retirement Age. However, she may retire under the Rule of 90 with an unreduced benefit because

30 years of service
\+ 60 years of age
= 90

Less than Rule of 90

Kathy has 28 years of service as a general member and is 60 years of age. She is 5 years away from Service Retirement Age,

65 service retirement age
\- 60 years of age
= 5

but she is only two points away from the Rule of 90.

28 years of service
\+ 60 years of age
= 88

(90 - 88 = 2)

Kathy could work one more year adding both one year of service and one year of age to reach the Rule of 90,

29 years of service
\+ 61 years of age
= 90

or retire now with a reduction based on being two points away.

Rule of 80

Peter is a Police Officer with 26 years on the force. He is 54 years old, and is therefore 6 years from Service Retirement Age. But, he may retire with an unreduced benefit because he has reached the Rule of 80.

26 years of service
\+ 54 years of age
= 80

Less than Rule of 80

Doug is a PERSI Firefighter with 26 1/2 years of service. He is 51 1/2 years old. He is 8 1/2 years from Service Retirement Age, but just two points away from the Rule of 80.

26 1/2 years of service
\+ 51 1/2 years of age
= 78

(80 - 78 = 2)

Doug may work one more year adding one year of service and one year of age to retire under the Rule of 80,

27 1/2 years of service
\+ 52 1/2 years of age
= 80

or he may retire now with a reduction based on being two points away.

Early Retirement Reduction Chart

If you retire before reaching Service Retirement Age or the Rule of 80/90, your retirement benefit will be reduced based on the number of years, or "points" early you are retiring.

Example

If you retire 2 years or points early, your benefit will be reduced 6.00%, and you will receive 94.00% of your calculated service retirement benefit.

Example

If your last contribution was after October 1, 1994, and you are 8 years from Service Retirement Age or the Rule of 80/90, your benefit would be reduced 32.25%, and you would receive 67.75% of your calculated benefit. For example, if your benefit was to be $1,000 but you had the 32.25% reduction, your monthly benefit would be $677.50.

$ 1000 x .3225 = 322.5

1000
- 322.50
= 677.50

Additional decreases are not made after retirement. Your benefit will not decrease each year you are retired. In fact, the opposite will occur–your benefit will increase each year due to Cost of Living Adjustments (COLAs) (see page 47). So, in the above example, the second year you are retired your monthly benefit would be $677.50 + the COLA amount.

Early Retirement Reductions

First Five Years Early Retirement

	Year 1	Year 2	Year 3	Year 4	Year 5
% Reduction	3.00%	6.00%	9.00%	12.00%	15.00%
% You Receive	97.00%	94.00%	91.00%	88.00%	85.00%

Second Five Years Early Retirement

Last Contribution	Year 6	Year 7	Year 8	Year 9	Year 10
Prior to 10/1/92					
% Reduction	23.00%	31.00%	39.00%	47.00%	55.00%
% You Receive	77.00%	69.00%	61.00%	53.00%	45.00%
10/1/92 - 9/30/93					
% Reduction	22.25%	29.50%	36.75%	44.00%	51.25%
% You Receive	77.75%	70.50%	63.25%	56.00%	48.75%
10/1/93 - 9/30/94					
% Reduction	21.50%	28.00%	34.50%	41.00%	47.50%
% You Receive	78.50%	72.00%	65.50%	59.00%	52.50%
10/1/94 and After					
% Reduction	20.75%	26.50%	32.25%	38.00%	43.75%
% You Receive	79.25%	73.50%	67.75%	62.00%	56.25%

The chart shown here is a partial listing, based on whole years. Your actual reduction will be based on years and months. For example, if you were 1 1/2 years away from meeting the rule of 80/90, your reduction would be 4.5%, not 3% or 6%.

Benefits will be computed or estimated using the reduction rate in state law at the time of your last Base Plan contribution.

Social Security Normal Retirement Age

Because people are living longer, Social Security has raised the Social Security Normal Retirement Age (SSNRA) for individuals born after 1937. This will affect your PERSI benefit if you take a Social Security option at retirement.

Because PERSI does not administer Social Security benefits, we cannot answer questions relating to Social Security. Please contact the Social Security Administration (SSA) directly with any questions you may have. The toll-free number is 1-800-772-1213, or you may visit the SSA Web site at www.SSA.gov, or to find your local office, look in the phone book under United States Government.

Social Security Normal Retirement Age (SSNRA)

If your year of birth is:	Your SSNRA is:
up to 1937	65 years, 0 months
1938	65 years, 2 months
1939	65 years, 4 months
1940	65 years, 6 months
1941	65 years, 8 months
1942	65 years, 10 months
1943-1954	66 years, 0 months
1955	66 years, 2 months
1956	66 years, 4 months
1957	66 years, 6 months
1958	66 years, 8 months
1959	66 years, 10 months
1960 on	67 years, 0 months

Your Base Plan Retirement Payment Options

You have several payment options for your Base Plan retirement allowance. It is important you understand the options available so you can make an informed decision.

If you are married, your spouse must consent in writing to your option selection. This consent must be witnessed by a notary.

Regular Retirement Allowance

A regular allowance is a monthly benefit payable for your lifetime only. It is the benefit calculated from the formula on page 20 and reductions on page 23.

Options 1 and 2

These options allow you to designate a Contingent Annuitant (CA) to receive a monthly allowance after your death.

Under either Option 1 or 2, a reduced monthly payment is made to you until your death and then a monthly payment is made to your CA until their death. If your date of last contribution was July 1, 1992, or later, you retire on or after October 1, 1992, and your CA dies first, your monthly payment will pop up or return to the higher regular retirement allowance.

The amount of the reduction (compared to your regular retirement allowance) is determined by the age difference between you and your CA, and your choice of payment options.

Option 1 - 100% Contingent Annuitant Allowance

After your death, your CA will receive the same monthly amount you had been receiving. This will continue for the remainder of your CA's life.

Option 2 - 50% Contingent Annuitant Allowance

After your death, your CA will receive one-half the monthly amount you had been receiving. This will continue for the remainder of your CA's life.

Option 3 - Social Security Adjustment

This option is available if you retire before Social Security Normal Retirement Age (SSNRA). It provides an increased allowance before SSNRA and a reduced allowance after SSNRA. It is payable to you for your lifetime only. SSNRA is age 65 for those people born before 1938. For those born later, SSNRA is between ages 65 and 67.

Option 3 provides a larger benefit payment from PERSI before your SSNRA and a smaller payment from PERSI after you are eligible to begin receiving a Social Security benefit. This option in no way diminishes your benefit from Social Security, it merely gives you more of your own money from PERSI initially (an acceleration), then when you start receiving Social Security, the PERSI amount is reduced so your total income remains constant.

Benefit payments for Option 3 are calculated using your Social Security estimate, which you would normally receive at full retirement age. For PERSI to calculate this option, you will need to provide an estimate from Social Security. When you request a quote, tell them the date you plan to retire from your PERSI job. Ask for an estimate for full retirement (between ages 65 and 67). You must make sure the estimates include "**zero future earnings**" for after you stop your PERSI employment. If you do not specify "**no future earnings**," Social Security will assume you are continuing to work to full retirement age and your quote will reflect that assumption. The amount PERSI will pay as an "acceleration" is based on your age and the number of years you are from your SSNRA. It is important to know once the PERSI accelerated amount is determined from your Social Security estimate, it will not change (except for cost of living adjustments) even if your Social Security benefit turns out to be different from your estimate.

Options 4a and 4b - Social Security Adjustment with CA Allowance

A modification of Option 3, this choice reduces your monthly PERSI benefit. However, upon your death, a monthly payment is made to your designated CA for the rest of his or her lifetime.

- Option 4a - Provides 100%
- Option 4b - Provides 50%

Under Option 4a or 4b, if your date of last contribution was July 1, 1992, or later, you retire on or after October 1, 1992, and your CA dies first, your allowance will pop up to the higher Option 3 Social Security Adjustment.

Changing Your Retirement Option

After you retire, you may change your payment option only if you marry or remarry and name your spouse as your contingent annuitant within one year of the date of the marriage provided that:

- You were not married at the time of retirement, or
- You divorced, or
- You chose a contingent annuitant option at retirement, named your then-spouse as CA , and that spouse has since died.

If the type of benefit you receive is different from the option you thought you chose, you may petition PERSI to change your option if you notify PERSI within 5 days of receiving your first retirement payment. Otherwise, your choice is irrevocable.

Deferring A Retirement Benefit

If you have stopped working and meet the eligibility requirements for early retirement but wish to postpone receiving your benefit, you may defer payment until a later date. You may not, however, postpone applying for your benefit past Service Retirement Age.

It is very important to keep PERSI informed of your address if you leave work and wish to defer retirement.

Your employee contributions and interest must remain in PERSI to maintain your retirement eligibility.

* * * * * EXAMPLE * * * * *

(For illustration purposes only)

Each member's retirement benefit will be unique due to the factors used in the calculations.

OPTION 3

Key Factors Used in Calculating a Benefit

Date of Retirement:	September 1, 2006	Total Months of Service	351
Date Last Employed:	August 31, 2006	Average Monthly Salary	$6863.91
Date of Birth:	July 16, 1947	Social Security Quote	$1892.00

Early retirement: 6 years 11 months before Social Security Normal Retirement Age (SSNRA)

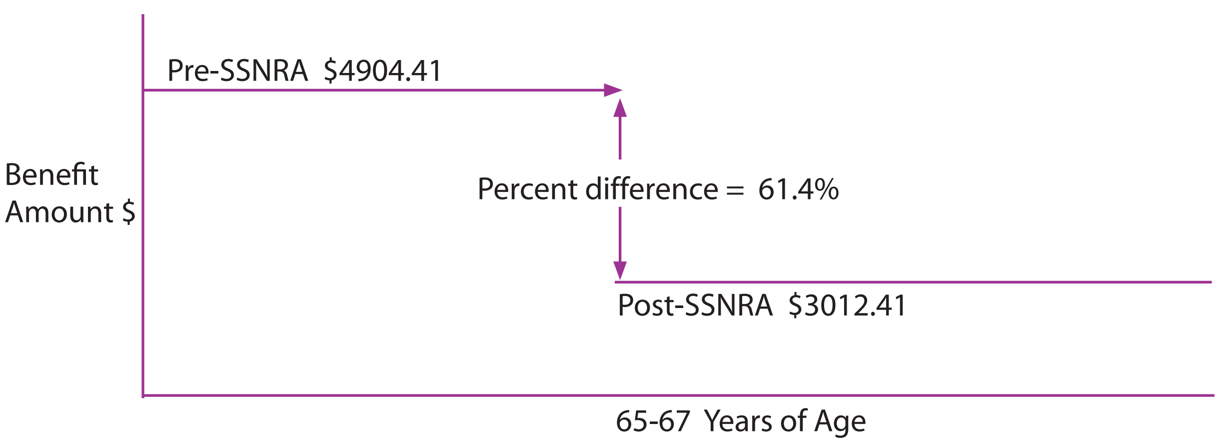
PERSI Regular Retirement Benefit (at full retirement age): $4015.38

PERSI Early Retirement Benefit: $3814.62
[early reduction factor .950 x regular retirement benefit $4015.38 = $3814.62]

Accelerated benefit through July 31, 2013
Adjusted SS ($1089)+ PERSI early retirement benefit ($3814.62) = Accelerated benefit ($4904.41)
[early reduction factor .576 x SS quote amount of $1892 = $1089]

Adjusted benefit after SSNRA
Accelerated benefit ($4904.41) - SS quote ($1892) = Adjusted amount after SS kicks in ($3012.41)

Adjusted amount formula: $3012.41 ÷ $4904.41 = 61.4%
The retiree will receive a fixed 61.4% of the accelerated benefit after reaching SSNRA



The amounts shown do not include annual cost of living adjustments.

Factors come from actuarial tables.

Contingent Annuitant Option Factors

At retirement, you may name a Contingent Annuitant (CA) to receive a monthly allowance after your death. This reduces your benefit during your lifetime. The amount of the reduction (compared to your regular retirement allowance) is determined by the age difference between you and your CA, and your choice of payment options.

To calculate the approximate reduction:

1. Find the age difference between you and your Contingent Annuitant (CA).
2. Multiply the factor by your monthly benefit.

Example:
If your monthly benefit is $1,200, and you are 10 years older than your CA, and you choose Option 1

$1,200
x .735
$ 882 = your Option 1 benefit

Example:
If your monthly benefit is $1,200, and you are 7 years younger than your CA, and you choose Option 2

$1,200
x .960
$ 1,152 = your Option 2 benefit

Payment Option	Advantages	Disadvantages
Regular Retirement	Provides the largest retiree benefit. It may be the appropriate choice if you have no dependents, or if your spouse would have adequate income from investments and other sources after your death.	Monthly payments stop when you die. No Contingent Annuitant (CA) protection is provided.
Option 1 100% CA Allowance	Provides income to your CA after your death. If your CA dies first, your benefit will pop up to the higher regular retirement amount.	The monthly amount you receive is reduced because it must last two lifetimes. This reduced amount may not provide an adequate income while you both are living.
Option 2 50% CA Allowance	Provides income to your CA after your death. If your CA dies first, your benefit will pop up to the higher regular retirement amount.	The monthly amount you receive is reduced because it must last two lifetimes. This reduced amount may not provide an adequate income while you both are living.
Option 3 Social Security Adjustment	Provides the largest income until your SSNRA, and may be the appropriate choice if you knew you were not expected to live past your SSNRA.	At your SSNRA, your benefit will drop—often significantly. It could even drop to zero. Often, retirees forget that the reduction will occur and are unprepared when it does. Monthly payments stop when you die. No CA protection is provided.
Option 4a 100% CA/Social Security	Provides a larger benefit until your SSNRA. Also provides income to your CA after your death. If your CA dies first, your benefit will pop up to the higher Option 3 amount.	At your SSNRA your benefit will drop—often significantly. It could even drop to zero. Often, retirees forget that the reduction will occur and are unprepared when it does.
Option 4b 50% CA/Social Security	Provides a larger benefit until your SSNRA. Also provides income to your CA after your death. If your CA dies first, your benefit will pop up to the higher Option 3 amount.	At your SSNRA your benefit will drop—often significantly. It could even drop to zero. Often, retirees forget that the reduction will occur and are unprepared when it does.

To help you select the option that is right for your specific situation, PERSI will provide you with estimates for each of the options.

- Example -

Comparison of Base Plan Retirement Options

This chart illustrates the differences between the available retirement options. It is for purposes of comparison only and may not reflect what your particular benefit might be. Each individual's retirement benefit will be unique due to the various factors involved in the calculations. When you apply for retirement, each of the option amounts will be estimated especially for you.

In this example: Member is age 55. Contingent annuitant (CA) is age 54. Member's estimated Social Security benefit is $1,200 a month at Social Security Normal Retirement Age (SSNRA) of age 65. Your SSNRA will be higher if you were born after 1937. Member's regular retirement allowance is $1,000 a month. The amounts shown do not include annual PERSI or Social Security Cost of Living Adjustments. (COLAs).

Retirement Option	Member's Monthly Allowance	CA's Monthly Allowance After Member's Death
Regular Retirement	$1,000	$0
Option 1 - 100% CA Allowance	800	800
Option 2 - 50% CA Allowance	894	447
Option 3 - Social Security Adjustment		
until Member's SSNRA	1,541	0
after Member's SSNRA	341	0
Option 4a - 100% CA/Social Security		
until Member's SSNRA	1,341	1,341
after Member's SSNRA	141	141
Option 4b - 50% CA/Social Security		
until Member's SSNRA	1,435	717
after Member's SSNRA	235	117

Retiring With Mixed Service

Members with mixed service have part of their service as a general member and part as a Police Officer/PERSI Firefighter. If you have mixed service, the age at which you are eligible for early or service retirement is determined by calculating your service retirement ratio. The service retirement ratio will also determine when you may retire with an unreduced allowance under the Rule of 80/90. (Certain exceptions apply to individuals who were active members of PERSI on June 30, 1985. Please contact PERSI for more information.)

Example of Mixed Service Retirement Ratio Formula

Steve worked as a Police Officer for 60 months, and for 300 months as a general member, for a total of 360 months of credited service. His formula would be

$$\frac{60 \text{ months}}{360 \text{ months}} = .16667$$

Using Chart 1, Steve can tell that his Early Retirement Age is 54 and his Service Retirement Age is 64.

Looking at Chart 2, Steve can tell that with .16667 as his service retirement ratio, his age plus years of credited service must equal 88 for him to retire early with an unreduced benefit.

MIXED SERVICE RETIREMENT RATIO FORMULA

$$\frac{\text{months of service as police officer}}{\text{total months of credited service}} = \text{Service Retirement Ratio}$$

CHART 1

Service Retirement Ratio	Service Retirement Age	Early Retirement Age
0.000 to 0.100	65	55
0.101 to 0.300	64	54
0.301 to 0.500	63	53
0.501 to 0.700	62	52
0.701 to 0.900	61	51
0.901 to 1.000	60	50

CHART 2

Service Retirement Ratio	Rule of 80 - 90
0.000 to 0.050	90
0.051 to 0.150	89
0.151 to 0.250	88
0.251 to 0.350	87
0.351 to 0.450	86
0.451 to 0.550	85
0.551 to 0.650	84
0.651 to 0.750	83
0.751 to 0.850	82
0.851 to 0.950	81
0.951 to 1.000	80

- Example -
Service Retirement Allowance Formula for Mixed Service

Your service retirement benefit is based on your highest average monthly salary (gross salary) over a base period and your total months of service. If you have mixed service, your benefit is computed with both the general member and the Police Officer/PERSI Firefighter formulas to arrive at your monthly allowance.

If you retire before reaching Service Retirement Age and if you have not met the Rule of 80/90, the early retirement reduction on page 23 will be used to determine the amount of your reduction.

In this example, the member is Service Retirement Age with 180 months as a general member and 70 months as a Police/PERSI Firefighter member. The example shows a regular retirement allowance with no reductions.

Highest average monthly salary	$2,000.00
x general member multiplier (see page 20)	x .02
	= $40.00
x total months of credited service as a general member	x 180
= Annual Benefit as General Member	= $7,200.00

Same highest average monthly salary	$2,000.00
x Police/PERSI Firefighter multiplier (see page 20)	x .023
	= $46.00
x total months of credited service as a Police/PERSI Firefighter member	x 70
= Annual Benefit as Police/Firefighter	= $3,220.00

Add both annual benefits	$7,200.00
	+ $3,220.00
= Annual Benefit with Mixed Service	= $10,420.00

divided by 12	÷ 12
= Monthly Benefit with Mixed Service	= $868.33

Changing Your Retirement Option

After you retire, you may change your payment option only if you marry or remarry and name your spouse as your contingent annuitant within 1 year of the date of the marriage provided that:

- You were not married at the time of retirement, or
- You chose a contingent annuitant option at retirement, named your then-spouse as CA, and that spouse has since died or divorced and waived his/her right to a benefit.

If the type of benefit you receive is different from the option you thought you had selected, you may petition PERSI to change your option if you notify PERSI within 5 days of receiving your first retirement payment; otherwise, your choice is irrevocable.

Deferring A Retirement Benefit

If you stopped working and meet the eligibility requirements for early retirement but want to postpone receiving your benefit, you may defer payment until a later date. You may not postpone applying for your benefit past Service Retirement Age.

It is very important to keep PERSI informed of your address if you leave work and wish to defer retirement.

Your employer contributions and interest must remain in PERSI to maintain your retirement eligibility.

How Employment After Retirement Affects Your Payments

After retirement, you may work wherever you want, as much as you want without affecting your Base Plan retirement benefit, unless you work for an Idaho public employer that is a member of PERSI.

If, as a retired member, you want to work for a PERSI employer and continue receiving your retirement payments, you may do so if you work in a position that is less than 20 hours per week (less than 1/2 contract for teachers), OR if your employment does not total 5 consecutive months AND your employer will so certify. If you work less than 20 hours per week or less than 5 consecutive months, no employee or employer contributions are made and no new retirement credits are earned.

If, as a retired member, you work for a PERSI employer 20 hours or more per week for 5 consecutive months or longer, you return to active member status. Your Base Plan retirement allowance stops, employer and employee contributions resume, and you begin to earn additional retirement credits. Both employer and employee contributions for all months worked will be due to PERSI. Any retirement benefit paid after you returned to work must be reimbursed to PERSI.

When you return to retired status, your original retirement allowance will resume plus the additional allowance calculated on the service earned during your period of reemployment. (If that period of reemployment turns out to be less than 5 months, your contributions made during that time will be returned and your retirement allowance will be paid from the date it was discontinued.) Or you may choose to repay all the benefits you received (including interest) instead of having the additional allowance calculated on the credits earned during your period of retirement. You may then have your benefit recalculated as if you had never retired.

If you retire early (before age 65 general members/60 police members), you may not retire and then return to work for the same employer within 90 days, even if you work less than 20 hours per week. In addition, there can be no promise of reemployment with that employer at the time of retirement. If either of these occur, the IRS considers there is no break in service and you continued to be an active PERSI member. You, not PERSI, are responsible for any noncompliance with IRS law.

Under certain conditions, a PERSI retiree may return to work as an elected or appointed official and continue to receive their retirement allowance. To qualify, they 1) must have been retired for more than 6 months, 2) cannot be elected to the same office they held prior to retirement, 3) must have achieved Rule of 80/90 or age 60/65, and 4) will not accrue any additional PERSI service.

Disability Retirement

If your career is cut short because of a permanent disability, the PERSI Base Plan can help by paying you a monthly disability benefit if you meet eligibility requirements.

Disability for retirement purposes is a physical or mental impairment which is considered total and permanent and prevents you from earning a livelihood.

Temporary disability benefits are not available under the retirement law. Permanent incapacity is a prerequisite to approval of a disability retirement application. The disability amount may be offset by Worker's Compensation Benefits.

Based on medical and other evidence, the Retirement Board or its agent will determine whether or not you are eligible for disability retirement. Disabilities resulting from service in the Armed Forces or from an intentionally self-inflicted injury are excluded from a disability retirement benefit.

Disability Requirements

- You must be totally and permanently disabled as a result of a physical or mental disease or injury while an active member, and
- Your disability must result in substantially all avenues of employment being reasonably closed, and
- You must have 5 years of service, and
- You must file within 1 year of the date of your last contribution.

You may be eligible from the first day on the job if you are disabled due to work-related causes.

Medical Examinations

You will be required to provide medical information and may be required to undergo medical examinations both before and after the disability determination.

Refusal to submit to a medical examination if requested before the beginning of a disability retirement, or at any reasonable time thereafter, may be considered proof that you are not disabled.

Disability Allowance Formula

A disability retirement allowance is calculated using the Service Retirement formula. See page 20.

If you have less than 360 months of service as of the date you are eligible for disability retirement, you will be given credit for the months of service you would have earned from the date of disability to the date you would have reached 65 for general members/62 for police/firefighters had you not become disabled (360 months of credited service maximum). In other words, we will give you up to 30 years of credit or to age 65 for general members (age 62 for police/firefighters), whichever is less.

Example

If you are a general member and have 120 months of service and become disabled at age 50, we will add 180 months (12 months x 15 years to age 65). This will give you 300 months service for your disability retirement.

The disability allowance produced by the benefit formula will not be reduced regardless of your age at the time you are eligible for disability retirement.

How To Apply For Disability Retirement

You must meet disability eligibility requirements while you are an active PERSI member. Contact the PERSI Answer Center to determine if you are eligible to apply for disability retirement. If you are eligible, you will be directed to professionals who will assess your condition.

When Disability Allowances Begin

A disability allowance is payable on the first of the month following the latest of:

- The date salary, sick leave, or temporary disability benefits sponsored by your employer stop, OR
- The completion of a 5-calendar-month waiting period following your last day of employment.

If you receive extra compensation or a lump sum payment during your waiting period, PERSI is required to use that income to determine the date your salary ceased.

How Long Disability Allowances Continue

You may continue to receive a disability allowance until the first of the month following whichever occurs first:

- The date of your death, OR
- The date you would have been eligible for Service Retirement if you had remained an active member, OR
- The date your disability ceases.

If your disability allowance is discontinued because you have reached Service Retirement Age, your benefit will be converted to a Service Retirement allowance, and you will be provided with options on different ways to draw the allowance.

Death Benefits Payable While On Disability Retirement

If you die while on disability retirement and had named your spouse as beneficiary, your spouse has the option of a monthly benefit for his or her lifetime, or a lump-sum death benefit consisting of two times the amount in your Base Plan account at the time of disability retirement minus any amount paid to you.

Example

$60,000	In your Base Plan account at time of disability
x 2	
= $120,000	
- $45,000	Paid to you while on disability
= $75,000	Death benefit payable to your beneficiary

If your spouse is not your beneficiary, the beneficiary may take a lump-sum payment of two times the amount in your Base Plan account at the time of disability retirement minus any amount paid to you, or may waive their right to the benefit and opt to provide your spouse with a monthly benefit for his or her lifetime.

If you have no spouse, your beneficiary receives a onetime payment of two times the amount in your Base Plan account at the time of disability retirement minus any amount paid to you. Generally, if you've been on disability retirement more than 3 years, there would be no money left in your account so there would be no death benefit payment for your beneficiary.

Disability Benefit Exclusions

PERSI Base Plan

Disabilities resulting from service in the Armed Forces or from an intentionally self-inflicted injury are excluded from a PERSI Base Plan disability retirement benefit.

PERSI Choice Plan

The PERSI Choice Plan does not have disability benefits, but you may take a distribution from your Choice Plan account.

Payment Options If You Stop Working But Aren't Ready To Retire

Choice Plan Distribution Options

The full value of your Choice Plan 401(k) account is available to you if you terminate work even if you are not ready to retire. You may choose :

- a lump sum
- a rollover to an eligible retirement plan 401(a), 401(k), 403(b), 457 or pre-tax IRA
- to leave your assets in the 401(k) if they are $200 or greater
- a combination of options

If you are retiring, you have other distribution options, such as installment payments. For more information, see page 18.

Lump Sum Payment Directly To You

Any amounts payable that are eligible for rollover distributions will be subject to federal income tax withholding of up to 20 percent and applicable state income tax withholding. You may also incur a federal 10 percent early distribution penalty if you are under age 59 1/2. Distributions that are not eligible for rollover generally will be subject to a 10 percent federal withholding, unless you elect a different rate.

Leave Your Funds in the Choice Plan

You may leave your funds in the Choice Plan until a later date or until retirement if your account balance is $200 or greater. The funds will be subject to minimum distribution requirements when you turn age 70 1/2. By leaving money in the Plan, you defer paying taxes. You will be responsible for the annual record keeping fees to maintain this account (currently $30 annually). The fees will be assessed against the account monthly, beginning the calendar month starting 90 days after you terminate work.

Rollover to an IRA or Eligible Retirement Plan

You may transfer your Choice Plan account balance via direct rollover into an eligible retirement plan {401(a), 401(k), 403(a), 403(b) and 457} or pre-tax Individual Retirement Account (IRA). By transferring the money via direct rollover, you defer paying taxes.

Base Plan Account Withdrawals

An account withdrawal is a lump-sum payment of the money you contributed to the PERSI Base Plan, plus the interest accumulated on your contributions. It does not include employer contributions.

PERSI tries to make taking and/or repaying an account withdrawal as easy as possible; however, both involve many complicated conditions and tax consequences. We strongly recommend you consult with a tax advisor before taking or repaying an account withdrawal. You can find more specific information in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on their Web site at www.IRS.gov/formspubs/index.html or by calling 1-800-TAX-FORMS. If you have additional questions, please feel free to contact PERSI.

Leaving Your Funds In the PERSI Base Plan

If you leave PERSI-covered employment, you do not have to withdraw your funds. You may choose to leave your funds in PERSI. There are definite benefits for leaving your funds in.

Your contributions will continue to draw interest and your retirement credits will be preserved. This is particularly important if you have 60 months or more of service or plan to return to eligible public employment at some point and want to keep existing retirement credits intact. The length of time you may leave your funds in PERSI is based on the following:

If You Have Less Than 5 Months of Service

If you terminate with less than 5 months of service (or worked less than 20 hours per week, or less than 1/2 contract for teachers) you did not meet PERSI eligibility requirements. In this case, your contributions would be returned to you automatically. (Be sure PERSI has your current address.) If you contributed at least $200, you have the option of rolling the funds into another qualified plan or IRA.

If You Have 5 to 59 Months of Service

If you were eligible for PERSI (worked 5 months or more) but were not vested to a monthly retirement benefit (did not reach 60 months of service), you may leave your funds in PERSI. You may wish to leave your funds in if you think you may work for another public employer within Idaho. Nearly 700 employers belong to PERSI, so you could find yourself working for a school district, state agency, city, county, etc., in the future. If after 3 years you have not returned to PERSI employment, you will be notified it is time to withdraw or rollover your funds.

If You Have 60 Months or More of Service

If you are vested to a monthly retirement benefit, you may leave your funds in PERSI until you are old enough to retire. Again, be sure to notify PERSI of any address changes so we may contact you when you are eligible to begin receiving pension payments.

Account Withdrawal Eligibility

You are eligible for a Base Plan account withdrawal if you were an active member and have terminated PERSI-covered employment. You must be an inactive member to withdraw your funds.

You are not eligible if you are working for a PERSI employer, even part-time, or are on a leave of absence.

If you withdraw your funds and return to work for the same employer within 90 days, you will be required to repay any payment you received plus any interest due.

State of Idaho employees who leave one state agency and begin work for another agency within 90 days must repay any payment received plus interest.

Account Withdrawal Payment Procedure

To process a withdrawal, PERSI must have two documents: an RS-109 Notice of Separation from your employer, AND an RS-108 Request for Base Plan Account Withdrawal from you. If you choose to roll over your funds to a tax-deferred IRA or another qualified plan, we will also need the name, address, and account information for the other plan.
If divorced or divorcing, your account withdrawal could be affected. See page 51.

If you have a court ordered attachment for delinquent child support payments or a federal tax lien, your account withdrawal could be affected. See page 51.

Account withdrawals are sometimes made in two payments. The first is made within 2 weeks of when PERSI receives of both forms cited above. This check includes the contributions and interest in your account at the time of payment. Approximately 90 days later, you will receive a payment of any contributions made to your account in the interim. If you ended your PERSI-covered employment more than 2 months before requesting a withdrawal, you should receive the entire payment in one check.

Account Withdrawal Cancels PERSI Credits

When you withdraw your Base Plan account, you cancel all credits toward your retirement. If you have enough service to qualify for a monthly benefit at retirement, you also cancel your eligibility for that benefit. If you return to eligible public employment, you will start over in accruing service; however, you may buy back your past credits.

There are many types of employers throughout Idaho that belong to PERSI, such as school districts, the State of Idaho, state universities, counties, cities, police and fire departments, highway districts, sewer districts, libraries and more. If you think you may work for any of these employers in the future, you may want to consider leaving your funds in PERSI.

If you have at least 60 months of service, PERSI recommends you ask about your eligibility for a lifetime monthly retirement benefit before withdrawing your funds. The value of a Base Plan retirement benefit can far exceed the amount in your Base account. See page 5 for more about the value of your benefits.

Taxes On Account Withdrawals

Federal Early Withdrawal Penalty

If you are not at least age 59 1/2 at the time you withdraw your funds, you may be required to pay a 10 percent federal early withdrawal penalty as well as federal, state and any local taxes on the tax-deferred portion of your benefit. IRS Form 5329 explains the Federal early withdrawal penalty.

Federal Withholding Tax

The IRS requires PERSI to withhold 20 percent of the tax-deferred portion of your account withdrawal for federal withholding taxes if the payment is made directly to you.

The tax-deferred portion consists of all contributions made after July 1, 1983, and the interest accrued on all your contributions. Contributions to PERSI prior to July 1, 1983, were taxed.

Avoiding Taxes On Account Withdrawals

You may avoid the tax penalties if you roll over the tax-deferred portion into an IRA, an individual annuity, a qualified trust, or a qualified annuity plan. You must roll over the contributions within 60 days of receiving each payment or have PERSI do it directly.

Returning To Active Membership

You return to active membership as soon as you return to eligible public employment. You begin earning new retirement credits which will be added to those already held.

If you withdrew your funds and you return to eligible public employment, you may reinstate your service by repaying the full amount of the withdrawal plus interest. You will be charged interest on the outstanding balance of any part of the withdrawal that remains unpaid. Interest paid will be credited to your account.

Repaying A Withdrawal or Waiting Period

If you return to work for a PERSI employer, you may pay back your withdrawal, or waiting period plus interest, to reinstate your service. You may not begin to pay back a withdrawal while you are an inactive member; however, if you do begin repayment of a benefit while employed and later terminate, you may continue the repayment after termination. Payments made after termination cannot be tax deferred. You will be charged interest (Prime Rate 3-Year Average + 1 percent) on the outstanding balance of any part of the withdrawal that remains unpaid. The interest you pay will be credited to your account.

If you had more than one withdrawal, all must be repaid to reinstate your service credit. Service will not be reinstated until repayment of all withdrawals are complete. Repayment must also be completed before your retirement date if you want those months of service used in the calculation of your retirement benefit.

Payment Options

Repayment of an account withdrawal to PERSI can be done several ways:

- a rollover from another eligible plan or IRA;
- a one-time lump sum taxed (meaning you have already paid taxes on this money) payment;
- a monthly or a series of taxed payments direct to PERSI;
- through tax-deferred payroll deductions; or
- an in-service transfer from your PERSI Choice Plan.

If tax-deferred payments will be included as part of your repayment plan, this must be decided before any payment has been made. The decision is irrevocable by IRS law. This means once you begin a method of tax-deferred repayment, you cannot change the repayment method or amount of payments.

You may choose to have a percentage of your pay deducted to repay the withdrawal. In this case, if your salary increases or decreases, your payment would fluctuate as well, although you would not be able to change the percentage itself.

If you want to combine methods of payment, for instance a few taxed payments followed by pre-tax payroll deductions, you may do so as long as you decide this up front.

Once pre-tax payroll deductions begin, you cannot change or stop payments until the repayment has been made in full or you terminate employment.

In-Service Transfers to the PERSI Base Plan

Funds from your Choice Plan 401(k) account may be transferred, while you are still working, to the PERSI Base Plan to repay account withdrawals, waiting periods or delinquent contributions. However, if you have already started a repayment agreement through payroll deduction, you may not do an in-service transfer.

Additional Payments Allowed

Although you cannot change the amount of a payroll deduction, you can set up additional tax-deferred payroll deductions or payments as long as:

- they don't affect previously authorized deductions,
- you and your employer agree that the deduction is irrevocable.

By starting additional tax-deferred payments you can, in essence, increase the amount you are paying on these repayments. There is no limit on the number of Additional Payment Agreements you may start. Each increase must be at least 1 percent of salary.

Department of Labor Employees

If you are a past employee of the Idaho Department of Commerce and Labor, (formerly Department of Employment), withdrew your funds and forfeited your service under the DOL retirement plan, you may buy back that service. DOL must be notified in writing of your desire to do so within 90 days of the date of your first reemployment under the PERSI system. Contact the DOL for information.

STOP AND THINK!

Be sure to carefully consider the benefits and drawbacks of withdrawing your Base Plan account.

Your PERSI retirement benefit is likely to be worth far more than just your account balance.

Don't make a mistake you may regret later!

Base Plan Death Benefits

In addition to the emotional stress caused by the death of a loved one, a severe blow is often dealt to the family's financial security — particularly when death occurs during the working years. To help ease this burden, PERSI offers valuable financial protection in the form of death benefits.

By understanding what benefits are payable from your Base Plan and how each benefit provides for your contingent annuitant (CA) or beneficiary, you can be assured you've made the best choice possible for yourself and your family. See page 24 for more information on CA's.

Death After Retirement

Regardless of the option you select at retirement, your beneficiary will receive a lump sum death benefit IF both you and your CA die and the total retirement payments to you and your CA, if any, have not exceeded your total employee contributions and interest. Generally, after you've been retired more than 3 or 4 years there is no money left in your account so there would be no death benefit payment for your beneficiary.

If you retire under Option 1, 2, or 4, your contingent annuitant will receive a monthly income for life (rather than a lump sum death benefit) at the time of your death. See Retirement Options, page 24.

At retirement, you may want to make sure your CA and your beneficiary are not the same person. That way, if both you and your CA die, your beneficiary will receive a lump sum payment if there are still funds in your account.

Death While on Disability Retirement

If you die while on Disability Retirement, there are two options:

1. Your beneficiary may receive two times the amount in your Base Plan account at the time of disability less any amount that has been paid to you; OR
2. If you have a surviving spouse, your beneficiary may choose to waive their lump sum death benefit to instead have a monthly allowance paid to your surviving spouse for his or her lifetime.

Death Before Retirement

Non-Vested Members

If you have less than 60 months of service, your beneficiary will receive a lump sum death benefit consisting of your Base Plan contributions plus interest.

Vested Members

If you die with 60 months or more of service while active or inactive, there are two options:

1. Your beneficiary may receive two times your Base Plan contributions plus interest, or
2. If you have a surviving spouse, your beneficiary may choose to waive their Base Plan lump sum death benefit to instead have a monthly allowance paid to your surviving spouse for his or her lifetime.

Example

If your beneficiary is your daughter, she may choose not to take the lump sum death benefit, and instead, have a lifetime monthly allowance paid to your spouse.

The amount of the monthly allowance is based on your age at death, that of your spouse, your total months of service, and your average monthly salary. The allowance will be paid in the amount calculated under Option 1, 100% Contingent Annuitant Allowance.

In all cases, your beneficiary and surviving spouse will be notified of the value of the choices available.

$100,000 Death Benefit for Police/Firefighters

All PERSI police officers and firefighters and FRF firefighters are eligible for a $100,000 death benefit if killed in the line of duty. The benefit is paid to the surviving spouse; if there is no spouse, it is divided among any dependent children.

Choice Plan Death Benefits

The full value of your account is available to your beneficiary upon your death. Depending on individual circumstances, your beneficiary may choose from a number of payment options including:

- a lump sum;
- monthly installment payments;
- a rollover to an eligible retirement plan – 401(a), 401(k), 403(b), 457 or pre-tax IRA;
- leaving the assets in the plan if they are $200 or greater; or
- a combination of options.

If your account balance is more than $5,000, and your beneficiary is your spouse, he or she may choose any of the following options or a combination of options. If your beneficiary is not your spouse, he or she may only choose a lump sum payment or to leave the funds in the plan. Options are based on your account balance on the date a distribution is requested.

Lump Sum Payment Directly To Beneficiary

For a lump sum payment, any amounts eligible for rollover distributions will be subject to federal income tax withholding of up to 20 percent and applicable state income tax withholding. Your beneficiary may also incur a federal 10 percent early distribution penalty if they are under age 59 1/2. Distributions that are not eligible for rollover generally will be subject to a 10 percent federal withholding, unless a different rate is elected.

Leave The Funds in The Choice Plan

Your beneficiary may leave your funds in the Choice Plan until a later date if the balance in the account is $200 or greater. The funds will be subject to minimum distribution requirements when he or she turns age 70 1/2. By leaving money in the Plan, they defer paying taxes. Your beneficiary will be responsible for the annual record keeping fees to maintain this account (currently $30 annually). The fees will be assessed against the account monthly, beginning the calendar month starting 90 days after your death.

Rollover to an IRA or Eligible Retirement Plan

If your beneficiary is your surviving spouse, he or she may transfer your Choice Plan account balance via direct rollover into an eligible retirement plan {401(a), 401(k), 403(a), 403(b) and 457} or Individual Retirement Account (IRA). By transferring the money via direct rollover, he or she defers paying taxes.

Installment Payments

Installment payments are available only if your beneficiary is your surviving spouse, and only if the account balance is more than $5,000. Monthly installments can be paid:

1. in a fixed monthly amount (not to exceed 120 months); or
2. in substantially equal payments over a fixed period.

Your surviving spouse will be responsible for the record keeping fees to maintain this account (currently $30 annually) during the time the installment payments are being made.

Taxes on Death Benefits

Base Plan and Choice Plan death benefits, whether a lump sum payment or monthly benefits, may be subject in whole or in part to federal and state income tax.

Tax information is included with lump sum checks to beneficiaries and is sent to monthly benefit recipients at the end of each year.

Beneficiaries are urged to seek tax advice from the IRS, the state tax commission, or a tax accountant if assistance is needed in determining individual tax liability.

Naming A Beneficiary

Your beneficiary designation applies to both your PERSI Base and Choice Plans. When naming a beneficiary, you may choose one person or several people, and may direct whether the benefit is to be paid in equal shares or different percentages. You may also name a charity, trust, estate or institution.

Changing Your Beneficiary

Remember to keep your beneficiary designation up-to-date. Often, people will name one person as beneficiary and forget to change the designation if they divorce, marry, have children, and so on.

If you have not updated your PERSI beneficiary designation in some time, and you have had major life changes such as marriage, divorce, birth or adoption of a child, or a death in the family, you may need or want to complete a new RS-115 Beneficiary Designation form to ensure benefits are paid to the right individuals.

Example of how out-of-date beneficiary designations can hurt your friends or family

Kathleen was married to Ted when she first became a public employee, and so she named him as her beneficiary. A few years later they divorced. Kathleen later married Bill, but never "got around to" filling out a new beneficiary designation form. After 5 years of marriage to Bill, Kathleen died, and although she probably wanted Bill to receive the death benefit, he is shocked to learn Kathleen's ex-husband Ted will receive the benefit because he is Kathleen's named beneficiary.

In a case like this, as beneficiary, Ted does have the option of waiving his payment so Bill can receive a monthly benefit payment for the remainder of Bill's life; however, it is unlikely Ted would do so. Don't let a situation like this happen to your family—keep your beneficiary designation up-to-date.

You may change your beneficiary at any time. You can obtain the proper form (RS-115 Beneficiary Designation) from your employer, the PERSI office for your area, or on the PERSI Web site.

Naming or changing a beneficiary on the PERSI form DOES NOT change the beneficiary named on insurance or other accounts. Similarly, a change on insurance or other forms DOES NOT change your PERSI beneficiary designation.

False Claims For Benefits are Illegal

It is against Idaho law for any person (including PERSI members, spouses, beneficiaries, disability applicants, and family members) to knowingly make a false claim for benefits or payment of money by PERSI.

DON'T FORGET...

If you have a life event change such as a marriage, divorce, birth or adoption of a child, or a death in the family, you need to update your beneficiary designation with PERSI.

Gain Sharing

This was a new benefit as of 2000 and is potentially a valuable benefit for active members, retirees, and employers. In years when PERSI is overfunded, the Board may decide to distribute the excess earnings through Gain Sharing. Gain Sharing is in addition to retirement benefits. In 2001, PERSI shared more than $155 million with members, retirees, and employers.

How Gain Sharing Works

PERSI's Fiscal Year ends each June 30. That date will be used to determine PERSI's funding level for the year. Each October, the Retirement Board will determine if PERSI's funding is adequate to handle all benefit payments and other expenses. Their decision will be based on several factors:

- How much did PERSI's investments earn during the year?
- How much did PERSI's liabilities grow during the year?
- Is there enough funding to absorb any possible sudden, unexpected drop in the stock market?
- How is the economic outlook for the coming year?
- Were there any legislative changes to the plan during the year that affect funding?

The Board favors granting Gain Sharing whenever possible, but as fiduciaries responsible for ensuring the stability of the fund, they have the authority to withhold Gain Sharing in any year they determine it is not prudent to make distributions.

How Much You May Receive

For active members, Gain Sharing could mean several hundred or thousand dollars in contributions to your Choice Plan 401(k) each year, depending upon PERSI's funding and your Base Plan account balance. For retirees, it could mean a one-time payment of one to three times your monthly benefit in one check. We call this a "13th Check."

For employers, Gain Sharing could mean a significant one-time credit toward some or all of the contributions to PERSI for a particular year.

When Gain Sharing May Occur

Gain Sharing may or may not occur every year. The Board will make a determination each year. Each summer, PERSI's earnings and funding stability will be evaluated. Distributions, if any, will be paid the following January.

GAIN SHARING MAY OR MAY NOT OCCUR EVERY YEAR.

Purchase of Base Plan Service

If you are a vested PERSI member, you may purchase additional Base Plan service to improve your retirement benefit. You may purchase service for any reason—there are no service requirements. You may purchase up to 48 months (4 years) of service. These months may be added to your existing months of service to increase your Base Plan retirement benefit amount. And if you have reached at least minimum retirement age (50 for Police/Firefighters, 55 for General Members) you may also be able to reach your Rule of 80/90 sooner.

Purchase of Service is Expensive

Purchase of service is very expensive. It could cost you as much as $120,000 or more to buy 48 months, depending on your base salary, years of service, age, and date of retirement. You must pay for the total cost of the change to your benefit. You are paying for the increase in your pension benefit because of the additional service and because you may now be able to retire earlier.

Basically, by purchasing service you are paying up front for your increased benefit. If the purchase improves your retirement benefit an estimated $50,000 over your lifetime, you pay us the present value of $50,000 at time of retirement, and we pay it back to you throughout your retirement. How long you live determines whether you will actually receive back more or less than you paid.

Purchase must be paid in full within the 90 days prior to your retirement date

For the additional service to be included in your retirement, it must be paid completely before you retire. PERSI may only accept payment for purchased service within 90 days prior to retirement. There are two reasons for this:

1. Long-term projection amounts are not accurate.
   Because the purchase cost is based on many factors—your salary, age, years of service and more—an exact cost cannot be determined until you are actually ready to retire.

   For example, if our calculations project your salary will increase 3 percent per year and your salary increases are even slightly different, your projection amount will be incorrect. Once you are within a few months of retirement, a more exact cost can be determined.

2. Flexibility
   Once PERSI begins accepting payments, due to IRS regulations we cannot return your funds to you until you retire or separate from employment. We don't want you to be irreversibly locked into this decision. You may feel now that you want to purchase the service, but 5 to 20 years from now you may decide you want to do something else with that money. If you wish to save gradually over many years for your purchase, PERSI will work with you to estimate your cost to purchase and to give you ideas on where to place your savings—such as PERSI's Choice Plan 401(k) or another savings account—until you are ready to make the purchase at time of retirement.

Purchase of Service is an extension of current service

If you purchase service, it may only be done as an extension of your current service. This means that:

- If you are a general member at retirement, you may not purchase police/firefighter service and vice versa.

- If you have mixed service (general and police/PERSI firefighter), you may only purchase service as an extension of your membership class at retirement (if you once were a police officer, but are a general member at retirement, you may only purchase as a general member).

- If you are a Board Member or Part-Time Elected/Appointed official at retirement, you may only purchase service to be applied at the minimum-benefit level. If you were once a Board Member of Elected/ Appointed official but are a full-time employee at retirement, you may purchase service as a full-time employee.

Employer Participation in a Purchase

Your employer may purchase service for you. Should they decide to do so, their payment must be a lump-sum payment made within the 90 days prior to your retirement. Employer payments for purchase of service are not refundable to you. Employer contributions must be preceded or accompanied by a written, signed statement from the employer's governing body verifying authority to purchase.

Death Benefits on Purchases

Death benefits on Purchase of Service payments are identical to PERSI Base Plan death benefits except, unlike your regular PERSI account, the Purchase of Service payment amount will not be doubled.

Purchase Limits

There are Idaho Code and IRS limits on the amount of service you may purchase. Idaho Code states your PERSI benefit, including the part resulting from your purchase, cannot exceed your 3-year average salary at time of retirement. The IRS limitation should affect relatively few PERSI members—only those who will have very large monthly benefits. If you are a highly compensated employee, check with PERSI prior to your purchase.

Estimating Your Cost to Purchase Service

Using our Purchase of Service Calculator on our Web site at www.persi.idaho.gov, you can estimate how different purchases would affect your benefit and how much a purchase would cost you (buying 6 months would cost me $14,000, buying 48 months would cost me $110,000, etc.). You may enter multiple scenarios into the calculator to see if any of the outcomes suit your needs.

If you want to save for your purchase over several years, you may use the calculator to estimate the monthly savings amounts needed for the purchase.

PURCHASE OF SERVICE CALCULATOR

You may estimate how much different purchases may cost you using the Purchase of Service Calculator on the PERSI Web site www.persi.idaho.gov.

Unused Sick Leave

Unused Sick Leave applies only to employees of the State of Idaho, junior colleges, and participating school districts. If you are unsure if your employer participates, contact your payroll or personnel office.

At time of retirement, you may convert a portion of your unused sick leave into a cash equivalent to pay for retiree medical insurance premiums after retirement. The payments from this program continue until your unused sick leave account is depleted. The formulas used to determine the amounts vary. State and school employees, see below.

You must be eligible for retirement to utilize unused sick leave. If you terminate work and want to defer your retirement, you must check with your employer and/or insurance carrier to ensure that you will be able to remain on or go back on the insurance at time of retirement.

Unused Sick Leave Formula – Participating School Employees Only

Days of Unused Sick Leave / 2 x your daily rate of pay at time of retirement

Employees are limited by the number of days on the school's policy. Check with your employer.

Unused Sick Leave Formula – State of Idaho Employees Only

Maximum allowable hours of Unused Sick Leave / 2 x your hourly wage at time of retirement

State employees have a maximum allowable unused sick leave depending on state service hours as follows:

Maximum Allowable Unused Sick Leave Hours
State Employees Only

Credited Hours of State Service	Estimated Years of State Service	Minimum Hours of Sick Leave Needed to Get Maximum Sick Leave Entitlement	Maximum Allowable Sick Leave Hours
0 - 10,400	5	480	240
10,401 - 20,800	5 - 10	960	480
20,801 - 31,200	10 - 15	1080	540
31,201 and over	15 and over	1200	600

Examples with a rate of pay of $10.00 per hour:

480	÷ 2 =	240	x	$10.00	= $2,400.00	Up to 10,400 hours of state service
960	÷ 2 =	480	x	$10.00	= $4,800.00	10,401 - 20,800 hours of state service
1080	÷ 2 =	540	x	$10.00	= $5,400.00	20,801 - 31,200 hours of state service
1200	÷ 2 =	600	x	$10.00	= $6,000.00	More than 31,200 hours of state service

Getting Ready to Retire

Obtaining A Retirement Estimate

You may request to have a retirement estimate calculated for you at any time. It will include estimates of the dollar values of the different retirement options. The estimate amounts may be different from the amounts projected on your annual account statement because the estimate will require a more in-depth look at your record.

One thing to remember is that an estimate is just that—an estimate. Your actual retirement benefit cannot be determined until you actually retire and we receive final paperwork from your employer. If, in a rare instance, you receive an estimate that is higher than your actual benefit amount, PERSI cannot pay more than allowed by law.

Retirement Counseling

PERSI provides individual retirement counseling at any time. As you approach retirement, it is important you feel comfortable about this phase of your life. All discussions are confidential.

Group Retirement Workshops

PERSI offers group retirement and investment education workshops to help you plan for the changes retirement brings. The workshops cover the PERSI Base and Choice Plan benefits, Social Security, Medicare and heathcare expenses, taxes, estate planning, and more. A workshop schedule is on the PERSI Web site.

Applying For Retirement

PERSI retirement is always effective on the first day of the month. Before the effective date of your retirement, you need to submit:

- Your application for retirement (RS-121 Retirement Application); AND
- Verification of date of birth; AND
- Termination notice provided by your employer (RS-109 Notice of Separation).

You will typically receive your first benefit check on your retirement date. Your retirement date is the first day of the month following the date you end your public employment, unless you choose to defer your retirement to a later date.

Example

If your last day of work is June 17:

- Your retirement date is July 1,
- Documents need to be submitted to PERSI by June 15,
- You will receive your first benefit check July 1.

Taxes On Retirement Benefits

Federal Income Tax Withholding

Retirement benefits are generally taxable under IRS tax code. At the time of your retirement, PERSI will provide you with an RS-322 Tax Withholding form. Unless you specify "no withholding" on the form or choose a specific marital status and number of exemptions, the federal income tax on your monthly benefit will be withheld at the rate appropriate for a married person with three exemptions.

IRS Publication 575 discusses pension and annuity income tax liabilities. PERSI suggests you read this publication or review it with a tax expert.

Each January, PERSI provides a 1099-R notice to each retiree. This is a statement of the gross allowance paid to you and taxes withheld for the past year. You will also receive notification any time the net amount of your benefit changes. For added convenience, PERSI makes 1099s and the notification available online.

Taxes have already been paid on Base Plan contributions made prior to July 1, 1983. If you made contributions prior to that date, a percentage of your monthly retirement allowance will not be taxable for your expected lifetime.

Idaho State Tax

PERSI retirement benefits paid to Idaho residents are subject to Idaho state income tax, with certain amounts deductible based on individual tax filing status. According to the Idaho Tax Commission, PERSI benefits paid to retirees living outside Idaho are not subject to Idaho state income tax withholding.

PERSI will deduct Idaho state income tax from your retirement payments if you authorize withholding by completing an RS-322 Tax Withholding form.

PERSI staff is not qualified to provide individual tax advice or information. Questions concerning taxes should be directed to a tax professional or the appropriate taxing agency.

Direct Deposit of Base Plan Retirement Benefits

We encourage you to join the majority of PERSI retirees who have their monthly Base Plan benefit checks deposited directly into a bank account instead of having it sent through the mail.

With direct deposit, your check is safely deposited into your account on the first day of the month, saving you time and effort and saving PERSI money. Direct deposit eliminates the possibility of delayed, lost or stolen checks, and direct deposit funds are available for use earlier than funds sent by check through the mail.

To begin direct deposit, obtain a direct deposit form from any PERSI office or our Web site, and return it with an original voided check from your financial institution.

Continuing NCPERS Life Insurance After Retirement

If you participate in the NCPERS (Prudential) group term life insurance program as an active PERSI Base Plan member, the coverage may be continued into your retirement. The monthly premium will be deducted from your retirement allowance.

You cannot enroll in the NCPERS program after retirement.

PERSI does not administer the NCPERS program. For enrollment information, contact your payroll clerk.

If you wish to cancel your NCPERS insurance, contact the program administrators:

Gallagher Benefit Administrators
6399 S. Fiddler's Green Circle
Suite 200
Greenwood Village, CO 80111-4949
1-800-525-8056
NCPERS@ajg.com

Cost Of Living Adjustments Keep Your Pension Apace With Inflation

PERSI applies a Cost of Living Adjustment (COLA) to Base Plan retirement benefits effective March 1 each year to help keep payments equal with inflation.

All PERSI retirees currently maintain 100 percent purchasing power because of COLAs. This means retirees' benefits are worth 100 percent as much today as they were the day they retired, even if they retired 30 years ago. Most private sector retirees receive no cost of living adjustments at all, so over time, their purchasing power drops considerably.

The COLA is tied to the Consumer Price Index (CPI) and may not exceed the CPI or 6 percent, whichever is less. It is also tied to the growth in the retirement fund's assets, and subject to amendment or rejection by the Legislature.

The first year you are retired, you may receive a percentage of the full COLA depending on the date of your last contribution.

Example

If you terminated employment August 31 and retired September 1, you were retired 50 percent of the year between March 1 and March 1, so if the COLA was 6 percent, you would receive 3 percent.

Retirement Checklist

Whether you're planning to retire in a few months or a few years, you should start thinking about what you need to do to make your transition into retirement as smooth as possible. This checklist will guide you towards retirement by identifying the steps and documents needed to complete PERSI's retirement process.

Throughout Your Career

- Review your PERSI Base Plan annual statements (sent each fall) for accuracy.
- Review your quarterly PERSI Choice Plan 401(k) statements for accuracy and to help with decisions about increasing your voluntary contributions or changing your investment mix.
- Evaluate your personal finances regularly including assets, liabilities, insurance, and investments.
- Attend one of PERSI's Retirement Education Workshops.

Three Years Before Retirement

- Call PERSI to receive a Base Plan benefits estimate, and to verify your service history.
- Contact the Social Security Administration (SSA) to verify work history and to receive an estimate.
- Attend a PERSI retirement workshop.

One to Two Years Before Retirement

- Call PERSI for an updated Base Plan benefits estimate and to learn about Choice Plan payment options in retirement.
- Contact SSA
  - » verify work history and request an estimate based on your retirement age and the date you will stop working (needed for PERSI Options 3, 4A, and 4B). You may need to go into the SSA office.
  - » find out how to apply for benefits and enroll in Medicare. *(You have 3 months before and 3 months after your 65th birthday to enroll in Medicare, otherwise you may face a penalty.)*
- Contact your tax-deferred annuity agents or financial planner to discuss other retirement income.
- Consult with a tax specialist about the tax consequences of various pension payments.

Six Months Before Retirement

- Inform your employer of your targeted retirement date.
- If you are an employee of a state agency or a school district, ask your payroll clerk about the cash value of your unused sick leave. Your employer will tell PERSI the amount.
- Ask your payroll clerk for a retiree health insurance enrollment form. State employees may obtain a retiree insurance request card from the Office of Insurance Management by calling 208-332-1863 or toll-free 1-800-531-0597. Request a comparison of insurance rates between Retiree Medical Insurance and COBRA, and find out if Medicare Part D (prescription coverage) will affect your insurance.
- Contact PERSI for an updated Base Plan benefits estimate and to request a retirement application.
- If age 62 or older, formally notify SSA of your retirement plans.
- If you have NCPERS Insurance, check with your employer about continuing this after retirement.
- If you have been divorced anytime while a PERSI member, your former spouse may be entitled to part of your PERSI benefit. To make that determination, PERSI will need a copy of your divorce decree and property settlement agreement.

Two - Six Months Before Retirement

- Make an appointment to meet with a PERSI Retirement Specialist. If you're married, bring your spouse. Although this meeting is not required, it is highly recommended.
- Select a retirement option; prepare your application package and complete all forms (RS-322 Tax Withholding form, direct deposit, power of attorney, and retiree insurance forms). Whether you mail

your application to PERSI or meet with a Retirement Specialist, your signature and your spouse's must be notarized. Submit all forms to PERSI 45 days prior to your planned retirement date.

- Provide PERSI with an original voided check from your bank and a copy of your Medicare card.
- Visit your local Social Security office with your spouse (if retiring at age 62 or over).
- Contact your payroll representative to finalize insurance arrangements, if any.

One Month Before Retirement

- If eligible to use Unused Sick Leave to pay retiree medical insurance, remind your payroll clerk to advise PERSI of the cash value of your unused sick leave entitlement.
- School district employees; ask your payroll clerk for a retiree health insurance form.
- State employees: contact the Office of Insurance Management for an insurance benefits request form.

Before Retirement Effective Date

- Make sure your employer notifies PERSI that you are terminating work. Your retirement cannot be finalized and may be delayed if we do not receive this notification by the 15th day of the month prior to your retirement date

Retirement Application Forms

PERSI tries to make the retirement process as easy as possible. To finalize your retirement, several forms must be completed. Be sure to include your name and Social Security number on all forms and documents. Contact PERSI for the forms or download them from the PERSI Web site at www.persi.idaho.gov.

Application for Retirement RS-121

To select a retirement allowance and, if you wish, to name a Contingent Annuitant (CA) to receive a monthly allowance following your death. Signatures on this form must be notarized.

Choice Plan 401(k) Distribution Kit

To select a payment option for your 401(k) funds. This kit is sent with your retirement packet from PERSI. It is also available by calling the Choice Plan toll-free at 1-866-437-3774 or by visiting the PERSI Web site at www.persi.idaho.gov/choice.htm. If your balance is $200 or greater, you may leave it in the plan.

Retiree Insurance Benefits Request (For qualifying state and school employees only.)

To continue coverage in your group medical plan. State employees: contact the Office of Insurance Management at 208-332-1863 or 1-800-531-0597. School employees: contact your payroll/personnel office for the form.

Tax Withholding Certificate RS-322

To withhold state and federal income taxes from your monthly allowance.

Direct Deposit Authorization RS-448

To deposit your monthly checks directly into your financial institution. An original voided check is required.

Beneficiary Designation RS-115

If you recently had a life event change (marriage, divorce, death, etc.), you may wish to name a new beneficiary. You may want your beneficiary and Contingent Annuitant to be different people.

Notice of Separation RS-109

Your employer must submit prior to your requested retirement date.

Additional documents PERSI will needed

Unless indicated otherwise, legible photcopies will suffice.

Birth Certificates: Yours and Contingent Annuitant's (required if you selected a CA)

Social Security Cards: Yours and Contingent Annuitant's (required if you selected a CA)

Medicare Card : School and State employees only. Necessary if you elect to continue coverage in the group medical plan and have Medicare.

Social Security Benefit Estimate from SSA: Required only if you are considering PERSI Retirement Allowance Options 3, 4a, or 4b.

Voided Check from your Financial Institution: Send an original, voided, check not a photocopy. Required only if you choose to have your monthly allowance deposited directly in your financial institution.

Divorce Decree (if applicable): A copy of your divorce decree and property settlement agreement. (If you were married at any time while an active PERSI member, your former spouse may be legally entitled to part of your PERSI benefit.)

Divorce And Your PERSI Accounts

Base Plan

If you were divorced while an active, contributing member of the PERSI Base Plan, your former spouse may be legally entitled to a portion of your retirement accounts and/or benefits.

An Approved Domestic Relations Order (ADRO) must be obtained to divide PERSI benefits.

If you are applying for a retirement or separation benefit, a copy of your divorce decree and property settlement agreement may be required.

Choice Plan

If you are divorced, a separate ADRO will be required to divide your Choice Plan assets.

For more detailed information, contact PERSI or an attorney experienced in divorce matters.

Attachments for Child Support or Federal Tax Liens

Idaho law provides for court-ordered attachment of PERSI annuities and separation benefit payments for the purpose of delinquent child support payments. Attachments may also be made for federal tax liens.

Should your payments be attached for child support or a federal tax lien, funds will be deducted from your benefit and forwarded to the appropriate agencies.

Social Security

Because PERSI does not administer Social Security benefits, we cannot answer questions relating to Social Security. You should contact the Social Security Administration (SSA) directly with any questions you may have. SSA's toll-free phone number is 1-800-772-1213. You can also visit their Web site at www.SSA.gov, or look in the phone book under United States Government to find your local office.

Address Changes

Be sure to notify PERSI if your mailing address changes.

Active Members

If you are an actively working member, PERSI receives your address information from your employer. Please remember to submit address changes to your employer's payroll office so the information can be provided to PERSI.

Inactive Members and Retirees

If you stop PERSI-covered employment, please submit address changed directly to PERSI. This is particularly important if you leave your funds in the system. All too often, people who leave PERSI fail to keep their address current, which makes it difficult to find them when it comes time for us to pay benefits. PERSI has thousands of dollars payable to people we cannot locate. Don't let this happen to you— keep us informed of your current address. Address changes must be submitted in writing and must include your Social Security number.

Address change forms are available on our Web site or at any PERSI office.

Appeals and Hearing Process

If you believe you have been denied a right or benefit relating to your membership, benefits, service, contributions, or refunds, you should:

1. Read this handbook and other written materials provided by PERSI to see if your question is answered to your satisfaction.

2. If not, contact the PERSI office in your area to speak with a Retirement Specialist. He or she will be able to explain PERSI laws, rules and procedures to you.

3. If, after steps 1 and 2, you still feel you have been denied a right or benefit, or you disagree with a decision made by a PERSI staff member, you should direct your question in writing to PERSI's Executive Director.

   Your letter should include your name, address, telephone number, Social Security number, your work location (if applicable), a complete description of your question and the facts of your situation. If possible, include copies of any relevant correspondence or documentation. You will receive a written response with the Executive Director's decision, which will not be a final decision.

4. If, after receiving a written decision from the Executive Director, you still disagree with the decision, you may seek review from the Retirement Board.

   You must submit a written request for review addressed to the Board or to the Executive Director. Your letter should state the decision you are asking the Board to review and the action you are requesting the Board to take. If possible, include points of law pertaining to the situation.

   The review will be scheduled for a regular meeting of the Board. You will be informed of the review date, and will be given additional details regarding the review process.

   After considering all the background information and your request for review, the Board will vote to uphold, reverse, or amend the Director's decision. This is a final decision. You will be notified of the action taken, and of your further right to appeal if you are dissatisfied with the Board's ruling.

5. If you still disagree with the final decision, you may request a contested case hearing where disputes are presented before a hearing examiner. This request must be received within 90 days after issuance of the Board's decision.

   When you request a hearing, a hearing examiner will be assigned and a date will be set for the hearing. You may bring an attorney if you wish, and you may also bring witnesses to testify. PERSI will bear the cost of the hearing examiner, and the PERSI attorney. You are responsible for any expenses for your attorney and witnesses as well as your travel and incidental expenses. To request a hearing, contact PERSI's Executive Director in writing.

6. If the hearing examiner finds against you and the Retirement Board agrees after reviewing the administrative hearing record, or if the Board refuses to accept a recommendation of the hearing examiner in your favor and denies your request, you have the right to appeal the Board's decision to Idaho courts.

Disability appeals differ slightly. Ask a PERSI Retirement Specialist for more information.

These procedures are designed to ensure your rights under the Retirement Code.

Sources of PERSI Information

Our Offices

We have three offices in Idaho: Boise, Pocatello and Coeur d'Alene. You may visit any office to have your questions answered. You may want to call ahead to make an appointment to ensure the best person will be available to help you. Phone numbers and addresses are listed on page 2.

Web Site

An extensive and ever-increasing amount of PERSI Base and Choice Plan information, including your individual account balances, is available on the PERSI Web site at www.persi.idaho.gov.

Email

If you know the name of the person you want to email, type their firstname.lastname@persi.idaho.gov. For example, Executive Director Alan Winkle's e-mail address is alan.winkle@persi.idaho.gov. You can also email our front desk at frontdesk@persi.idaho.gov and your message will be forwarded to the person who is best able to assist you.

Idaho Code

The statutes covering the retirement system can be found in Title 59, Chapter 13, Idaho Code. For legal definitions, please refer to PERSI's Statutes and Rules, available on our Web site or from any PERSI office.

Telephone

Please call us if you wish. Phone numbers are listed on page 2.

Individual Counseling

If you are within 3 years of retirement, you may make an appointment to meet with a Retirement Specialist to discuss your retirement questions. Call the office in your area for an appointment.

Presentations/Workshops

PERSI offers its members a number of different educational workshops. The PERSI 101 workshop covers the basics of the Base and Choice Plans, the PERSI 202 goes into more detail about the benefits of saving for retirement, and explaining investment strategies and financial planning. The PERSI 505 is for members within 5 years of retirement, and provides information about Social Security, Medicare and other healthcare issues, retirement options, and wills and estate planning.

Your employer can arrange to have a group 101 or 202 presentation on site at your work location. If interested, ask your personnel or payroll clerk to contact one of PERSI's Training Specialists to arrange a date and time.

Newsletters

PERSpectives is a quarterly newsletter for PERSI's active and retired members.

Annual Report

This is a comprehensive annual financial report that includes the independent auditor's report of the system's financial statements, a summary plan description, and information on the system's actuarial status and investments. It is available on our Web site.

Employer Newsletters

Each month PERSI distributes a publication to all employers that covers personnel and payroll issues relating to the retirement system. It is an ongoing employer tool designed to assist employers with PERSI procedures, statutes and administrative issues. It is also available on our Web site.

Frequently Asked Questions

Q: If I could invest my contributions on my own I would make a lot more money. Why do I have to contribute to PERSI?

PERSI has two retirement plans—the mandatory Base Plan and the voluntary Choice Plan.

The Base Plan is a Defined Benefit plan where membership is mandatory for eligible employees of employers belonging to PERSI. It is intended as a way for public employees to ensure their own retirement security.

You might very well be able to make more money if you could invest your contributions on your own; however, countless studies show most Americans have not and are not investing or saving for their retirements as they should. And those who do invest on their own do so very conservatively, earning about half of what is needed for retirement. PERSI's portfolio is handled by professional investment experts worldwide to ensure PERSI will be able to provide you with a secure, lifetime retirement income.

When you retire, the Base Plan will pay you every month for as long as you live. If you choose a Contingent Annuitant, after you die he or she will continue receiving a benefit for the rest of his or her life.

Within the first 3 to 5 years of retirement most members have already received all the money they contributed while working. For example, if your contributions to PERSI during your career totaled $60,000, and your monthly retirement benefit is $1500, you would receive your $60,000 in approximately 3 years. Although you would have exhausted everything you contributed, PERSI would continue to pay you $1500 a month for the rest of your life, plus annual cost of living adjustments (COLAs). So if your retirement were to last another 30 years, you would receive $540,000 in benefits from the PERSI trust.

The Choice Plan 401(k) is a voluntary retirement option available to PERSI members. You decide how much to contribute and can select from several investment options. When you retire, you may use your Choice funds to supplement your Base Plan payments. You may withdraw your Choice Plan funds in a lump sum or in payments over time.

Simply put, PERSI's Base Plan is the guaranteed, secure portion of your retirement income, and the PERSI Choice Plan is the portion where you invest and save on your own.

PERSI's Base Plan and Social Security were never meant to provide you with your entire retirement income. They are just two legs of the retirement "footstool." A PERSI retiree with 30 years of service who also receives Social Security may expect the two to provide a replacement income of between 83 - 96 percent. For the average PERSI retiree, however, PERSI and Social Security combined provide approximately 50 - 60 percent replacement income. Your investments must make up the rest.

Therefore, PERSI encourages members to participate in the Choice Plan. If your employer also offers a 403(b) or 457 Deferred Compensation plan, you may want to participate in those as well, but you should be aware of the IRS limits applicable to those plans.

Q: I'm only going to be at this employer for a couple of years, not retire from here, so why do I have to pay retirement contributions?

PERSI provides a pension benefit to career public employees. The longer you work for a PERSI employer, the greater your retirement benefit will be. Although you may not remain a public employee your entire career, if you work for a PERSI employer and earn 60-months of service credit you will be vested and receive a lifetime benefit at retirement. The 60-month vesting period (5 months for elected and some appointed officials) does not have to be with the same PERSI employer. So unless you leave public employment altogether, changing jobs should not affect your PERSI membership.

We often hear about people who didn't think they would be at their place of work for more than a few years, but who ended up staying a long time. The average length of service for PERSI members is about 10 years, and this increases every year. The average length of service for a PERSI retiree now is 18 years.

Another thing to consider is that, in addition to retirement benefits, your contributions are also providing you with disability coverage. If after 5 years with PERSI you become totally disabled and unable to work, you may receive a lifetime disability benefit. Nearly 65 percent of PERSI members end up receiving lifetime retirement or disability benefits from PERSI.

Should your PERSI-covered employment wind up being less than 5 years total, your contributions are still yours. You may withdraw that money, plus interest (although tax penalties and withholding may apply), or you may roll over your money and interest to an IRA or another qualified plan and still use it for retirement.

Q: I have a hard time understanding how I benefit from PERSI. Can you explain it to me?

If you're a long way from retirement, it can be difficult to picture the benefits of belonging to PERSI. We are so accustomed to immediate gratification and are uncomfortable with the idea of waiting 20 to 30 years for results.

Experience with thousands of members has shown us that as you get closer to retirement, you will start to look forward to the PERSI benefits you will be receiving, and once you're retired you'll love PERSI. We continually hear from retirees how happy they are to receive their PERSI payments each month. Many retirees say they don't know how they would get by without it.

But if you are many years from retirement, perhaps these points will help you understand PERSI more:

- Once earned, PERSI Base Plan benefits are guaranteed.

- When you retire, PERSI will pay you every month for as long as you live, and if you choose a Contingent Annuitant, after you die that person will continue receiving a benefit for the rest of his or her life.

- Your PERSI contributions are tax-deferred. You do not pay taxes on them until you retire, when you should be in a lower tax bracket. Also, this makes your current taxable income lower. If you were to receive your contributions and wanted to invest them on your own, you would be taxed on them first.

- Payroll deduction is often considered the most "painless" way of saving for retirement. Financial planners will tell you to pay yourself first, which is basically what PERSI does. Your contributions are taken out before you're taxed.

- Should you leave PERSI, your contributions and interest are yours. You may roll your money to another plan or IRA or withdraw the funds.

- Your PERSI contributions are invested by highly-qualified professionals to ensure you will receive a secure pension for the rest of your life.

- PERSI is not funded or managed like Social Security. PERSI is designed as a pre-funded plan to pay every future benefit that has been earned to date. PERSI is not a pay as you go system. It is structured so the future value of benefits is funded as benefits are earned. Future generations will not have the burden of paying for benefits earned today.

- Your PERSI contributions are secure and protected by federal and state law. PERSI funds may only be used for the benefit of PERSI members.

- With PERSI's Gain Sharing, you may share in PERSI's investment earnings by receiving payment into your individual Choice Plan account.

- With PERSI's Choice Plan, you contribute on your own to save for retirement. You may choose how much and where to invest your Choice funds.

Glossary

Active Member
You are an active member if you are currently working and making contributions to PERSI.

Base Period
A period of consecutive months during which you received your highest average salary. The base period is used in the calculation to determine your Base Plan retirement benefit.

Base Plan
PERSI's mandatory "Defined Benefit" Plan providing a guaranteed lifetime benefit at retirement.

Base Plan Account Withdrawal
A lump sum payment of your Base Plan contributions plus interest after termination of PERSI employment. Subject to a 20 percent federal tax withholding unless rolled over to another tax-deferred plan. Also subject to a 10 percent federal early withdrawal penalty if you are under age 59 1/2.

Beneficiary
The person named by you to receive a lump sum payment at the time of your death. If your beneficiary is your spouse and you are vested to a retirement benefit, your spouse may have the choice of a lump sum or optional death benefit to last for his or her lifetime.

Buy Back
Reinstates service that was previously earned by repayment of back employee contributions plus interest. It is a way to increase the amount of service a member will have when PERSI calculates their final retirement benefit.

Choice Plan 401(k)
A "Defined Contribution" plan. It includes any Gain Sharing payments you receive from PERSI as well as voluntary payments you contribute on your own to invest for retirement.

Contingent Annuitant
The person named by you when retiring to receive a monthly benefit allowance upon your death. Also known as a CA.

Credited Service
The months that are counted toward retirement. Credited service includes eligible membership, military, disability or prior service.

Disability Service
If you become disabled, this is the number of months between the date you became disabled and your service retirement age. The time is automatically credited to your retirement when you are declared disabled. After adding disabled service, total service may not exceed 360 months.

Elected or Appointed Official
A person who receives a salary for serving in an elected or appointed position. If you are elected or appointed, but do not receive salary, you are not eligible for PERSI.

Employee Contributions
The money you pay into the retirement system that is credited to your accounts. Employee contributions to the Base Plan are mandatory, while contributions to the Choice Plan are voluntary.

Employee Member
An employee who is an active member of PERSI.

Employer
An employer belonging to the PERSI retirement system. If you work for a PERSI employer and meet eligibility requirements, you become a PERSI member.

Gain Sharing
In years when PERSI has excess funding, the excess earnings may be shared with members.

General Member
You are a PERSI general member if you are not a Police/PERSI Firefighter. General members have a service retirement age of 65, a minimum retirement age of 55, and your age and years of service must total 90 to retire early with an unreduced benefit.

Inactive Member
You are an inactive member if you are no longer working for a PERSI employer, but your contributions plus interest are still in PERSI.

Interest
The cost of using money borrowed from another or the return derived from an investment. The interest credited to your Base Plan account is equal to PERSI's investment return rate. If the investment return is less than a yearly average of quarter-ending 13-week Treasury Bills, interest will be at least equal to that T-Bill average.

Membership Service
Eligible employment since July 1, 1965, for which contributions have been made.

Military Service
Time spent in active military duty that is eligible for retirement credit. It must interrupt PERSI-covered employment.

PERSI
An acronym for the Public Employee Retirement System of Idaho.

PERSI Firefighter
You are a PERSI Firefighter if you are a paid firefighter hired on or after October 1, 1980, and will retire under the PERSI plan (instead of the Firemen's Retirement Fund plan). Your service retirement age is 60, your minimum retirement age is 50, and your age plus years of service must equal 80 to retire with an unreduced benefit.

Police Officer Member
A PERSI Police Officer member has a service retirement age of 60, a minimum retirement age of 50, and age plus years of service must equal 80 to retire early with an unreduced benefit.

Pop-Up
A pop-up provision raises your reduced retirement benefit back to a regular retirement allowance if you were active July 1, 1992, or later and retired October 1, 1992, or later and chose Option 1,2, 4a, or 4b and your Contingent Annuitant dies before you do.

Prior Service
Eligible public employment before July 1, 1965, which may be credited toward your retirement.

Purchase of Service
Vested members who are within 90-days of retirement may buy up to 48 months of service credit. The member must pay the full cost of the additional service. Often done to become eligible for retirement by reaching the Rule of 80/90.

Retired Member
When you retire from PERSI.

Retirement Options
There are six retirement allowances from which a member may choose. Each option provides a different way in which the member and/or the Contingent Annuitant may receive the retirement benefit.

Rollover
Moving the tax-deferred portion of your retirement contributions and interest from your PERSI accounts into another tax-deferred plan such as an Individual Retirement Account (IRA). The money is "rolled over" to avoid a 10 percent federal early withdrawal penalty, a 20 percent federal withholding on lump sum payments, and to defer any other federal, state or local taxes.

Rule of 80/90
You may receive an unreduced retirement allowance if your years of service plus your age equal 90 (general member) or 80 (police/firefighter), and you meet the minimum early retirement age of 55 (general) or 50 (police/firefighter).

Waiting Period
A period of time which one must wait in order for a specific action to occur. For example, from July 1, 1965-June 30, 1971, there was a 12-month waiting period before contributions were required.

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Notes